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Sub-Saharan Africa SUPPLEMENT

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INTERNATIONAL AFFAIRS

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* France's Role in Southern Africa Reviewed

90EF0176A Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 29 Dec 89 pp 3866-3867

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[Text] The slightly tighter ties formed between France and southern Africa during 1989 were not accompanied by any spectacular act. A region both geographically and historically remote, the subcontinent where English is triumphing is not among the top concerns of French diplomats, businessmen, and intellectuals. Yet, although the aid figures and number of exchanges remain modest, there was a noticeable increase in contacts made, or encouraged, by Paris. The meeting of a hundred South African leaders, from inside the country or exiled, in Marly-le-Roi at the end of November was a wholly original initiative. The invitation of Messrs. Mugabe, president of Zimbabwe, and Tambo, ANC [African National Congress] president, to the bicentenary celebrations of the French Revolution represents a similar approach, the effects of which are expected to be long term.

France's involvement mainly takes the form of multilateral initiatives. As president of the EEC during the second half of 1989, it played an active part in promoting a favorable outcome for ACP (African, Caribbean and Pacific countries) during the Lome IV accords.

Paris spoke out several times, on behalf of its European partners, to express the community's concern about the legal restrictions imperiling funding of opposition associations in South Africa: Kagiso Trust, which oversees EEC gifts to the churches, is the primary target of the new legislation. Paris advised Pretoria that implementation of the new laws would harden the community's attitude. Likewise, France took the initiative of protesting against the forced consolidation of the Bantustans (the incorporation of the villages of Braklaagte and Leeuwfontein into Bophutatswana, and of Peelton into Ciskei).

In their capacity as members of the Troika (the country presiding over the EEC, its predecessor, and its successor), the political directors of the French, Spanish, and Irish ministries of foreign affairs traveled to Luanda in mid-October.

By sponsoring international conferences in Paris, France is drawn deeper into the resolution of conflicts in southern Africa. The conference on chemical weapons in January was boycotted by some African delegations when Mr. "Pik" Botha took the floor (to ask, after all, for an agreement forbidding their use). In August the Paris Club decided to reschedule Angola's debt. Finally, it was on the Riviera, at President Mobutu's residence, that several African and American diplomats met to ensure that the Gbadolite accords were being followed.

France also favors multilateral initiatives in its aid to southern Africa. When he participated in the annual

SADCC (South African Development Coordination Conference) conference in February 1989, the Cooperation & Development Minister Jacques Pelletier announced aid of 120 million French francs to the organization, which brings the total to 4 billion French francs since the SADCC was created in 1980.

At the end of 1989, bilateral aid for the current year was distributed as follows: approximately 30 million French francs for Mozambique (20 million to FAC [Aid and Cooperation Fund]); 18 million for Angola (10 million to FAC); 12 million for South Africa (programs earmarked for blacks); 8 million for Zimbabwe; 7 million for Namibia; and 1 million for the BLS states (Botswana, Lesotho, Swaziland).

Namibia

A member of the UN Security Council and a former participant in the "Five Westerners" group, France has watched Namibia's accession to independence intently. It was the first of the big moneylenders to pay its share in Ganupt, on 28 March, 1989—a sum of 31.2 million dollars, representing 7.5 percent of the total.

Paris sent a permanent observer mission to Windhoek as early as June. In contrast to its Western partners, the mission is to be converted to an embassy immediately after Namibia gains independence. Headed by Mr. Alain Dementhon, the French unit is particularly well staffed (with a first secretary, a cultural attache—a total of 11 people) for a diplomatic representation in a country of so few. The French Embassy, soon to be established, has been able to make contacts with the main parties in the country and to quickly hone in on the desires of the Namibians. Two missions, one concerned with training and education and the other with economic development, are getting ready to leave for Windhoek at the beginning of 1990, giving practical expression to the French desire to brace the first steps of independent Namibia. Mr. Nujoma, president of SWAPO [South-West African People's Organization], acknowledged this during his stop in Paris on 27 June 1989: "France was always at our side when the former Reagan administration wanted to tie the decolonization of Namibia to a prior withdrawal of Cuban troops." Paris assured the head of the principal Namibian party of its assistance in housing refugees returning to the country.

In addition, France sent 38 bureaucrats, judges, and prefectoral agents to watch the elections with other UN observers. Divided between Caprivi and Okavango, they observed firsthand the discipline shown by voters and the perfect legality of the proceedings.

Zimbabwe

President Mugabe's official visit to Paris on 12 and 13 July was a tangible sign of improved Franco-Zimbabwean relations. The French Government stressed the Zimbabwean head of state's efforts to combat apartheid, at whatever cost to his country, while discreetly hoping that the democratic experiment begun

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at independence would continue. The presidential trip included a meal with the CNPF (National Council of French Employers). Harare leaders adopted a new, more open, investment code in April and President Mugabe strongly urged French companies to take an interest in his country, unintimidated by the memory of British colonization.

French-employer proposals (the designation of a ministerial go-between in Harare, the creation of a mixed committee with the Zimbabwean private sector, the naming of a Zimbabwean agent to Cepia) were favorably received, but have not yet been followed up. The day-long encounter between the minister of Economy and Finances, Mr. Chidzero, and French investors, scheduled in Paris for mid-November, was postponed until 1990.

Mr. Bernard Kouchner, state secretary for Humanitarian Action, on his way back from the inauguration of a hospital in Francistown in Botswana, stopped in Zimbabwe where he visited a refugee camp.

South Africa

A great many South African progressives were invited in 1989, which ended with a week-long meeting to reflect on South African problems in Marly-le-Roi. Mrs. Albertina Sisulu and Mssrs. Denis Beckett, Ahmad Danghor, Max Colemen, Wynand Malan, Vusi Khanyile, and Jeremy Shears were able to talk individually with French leaders and give their evaluation of changes in South African society. On another front, the head of the Conservative Party, Mr. Treurnicht, was authorized to come to France, but not to make public statements.

At the instigation of France Liberte, an association led by Mrs. Mitterrand, IDASA (Institute for a Democratic Alternative in South Africa) was able to organize in Paris the biggest ever meeting between South Africans living inside and those exiled from their country. Businessmen and politicians debated the economic and political future of their country. The gap between the analyses of Mass Democratic Movement (MDM) militants and ANC leaders seems to have been narrowed a bit.

In South Africa itself, France continued its activities to promote education and training and to support freedom of the press. On 14 July, Mr. Dupont, France's ambassador to Pretoria, inaugurated the Thupelo Center in the heart of Soweto. Directed by Mr. Emmanuel Rey and the Soweto Alliance Francaise, this original center aims to train young blacks in a wide range of fields.

Angola

In 1989, Ambassador Luis de Almeida, who opened the Angolan Embassy in Paris, was replaced by Mr. Eliseo Figueiredo. Independently of previously initiated projects, France sent a special shipment of food aid in February, consisting of 3,650 tons of wheat flour (equivalent to 5,000 tons of flour suitable for baking bread).

Mozambique

The southern African country most affected by natural and human destruction is an object of special attention in Paris. Several accords in areas as diverse as hospital equipment and a sculpture exhibition were signed in 1989. It was decided to create a center for processing of satellite images, to improve knowledge of Mozambique's resources.

Working through FAC, France concentrated its efforts on improving living conditions in the south of Mozambique. A technical assistant was dispatched to Maputo and studies funded in order to shore up management of the water resources of the Umbeluzi and the Incomati, two rivers supplying the capital. In the north of the country (Cabo Delgado province), France supported an integrated-development project in conjunction with the nongovernmental organization CRIAA (Industrial Research Center in Southern Africa): distribution of agricultural production, supplying of rice huskers and fishing equipment, renovation of hospitals.

Although the Beira corridor is receiving international attention (France participates through the EEC), Franco-Mozambican cooperation is strongest in the railway sector. Sofrerail and Sedes are participating in a consortium with Norma (Portuguese) for the third phase of the rail-system renovation. Through CCCE (Central Fund for Economic Cooperation) funding of 218 million French francs, GEC [expansion unknown] Alsthom supplied locomotives for the Limpopo corridor, spare parts and partial maintenance. Renovation of the Nacala line is the object of direct accords between Mozambique and France.

Strides were made on road work at the beginning of 1989, with Malawite and Tanzanian soldiers lending a hand to Mozambican troops. But the rail situation deteriorated after a number of attacks by Renamo [Mozambique National Resistance]; the project was shelved until security could be guaranteed again in the region. Prime Minister Machungo traveled to Paris in mid-November to urge Paris to resume work.

French companies working in southern Africa are rare. Those operating in South Africa are not the target of bombings, like Shell in Sweden and the Netherlands, or of gibes at international conferences (like IBM or the Swiss Banking Union during the disinvestment conference in Geneva in October). They keep a low profile and maintain rather good relations with black employees and their unions.

The independence of Namibia, a relatively rich country, may attract French investors, but the market is limited by underpopulation.

1989 was a year of waiting for southern Africa. The first steps toward peace in Angola and Mozambique, and a real dismantling of apartheid in South Africa, are the keys to an upsurge in France's interest in the region.

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* New French Business Policy in Africa

90EF0138A Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 24 Nov 89 pp 3352-3356
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[“Excerpts” from statements by Jacques Pelletier, French minister of cooperation and development, and Philippe Jurgensen, director general of the Central Fund for Economic Cooperation, at a press conference in Paris on 16 November 1989; passages omitted by the source are indicated by three dots in parentheses; first seven paragraphs are MARCHES TROPICAUX ET MEDITERRANEENS introduction]

[Text] During a joint press conference in Paris on 16 November, Jacques Pelletier, French minister of cooperation and development, and Philippe Jurgensen, director general of the Central Fund for Economic Cooperation (CCCE), announced a considerable change in French policy toward business in Africa. In addition to assistance for structural reforms as a means of improving local investment conditions, there will now be intervention in the financing systems, with the Central Fund and its subsidiary Proparco [expansion unknown] playing a central role in that respect.

Specifically, the following measures have been adopted:

- The Ministry of Cooperation and Development, acting through its Department of Business Relations, will retain control of all the institutional aspects of cooperation and development.
- As the agency dealing directly with the firms, the Central Fund will set up a single office in 1990 for handling financing problems, while Proparco's sphere of activity will be expanded to include the entire African continent, excluding only the Republic of South Africa, Egypt, and Libya. Director-delegate Jean-Pierre Gonon (see the inset [not included]) has been assigned to coordinate all activities by the Central Fund and Proparco as they relate to businesses.
- A Guarantee Fund totaling at least 40 million French francs (to be provided initially out of government funds, but with other financing to be sought as well) will cover the refinancing of investment credits granted by the Central Fund to primary African banks (see inset [not included]).

Statements by Pelletier and Jurgensen

Here we present the basic points in the statements made by Pelletier and Jurgensen to the press in Paris on 16 November.

(The minister of cooperation and development spoke first, as follows:)

To support our partners who wish to participate, I have drawn up, in cooperation with Mr Jurgensen, a far-reaching program of action and mobilization to promote the development of business in Africa.

(...The) great strength (of the measures we have designed) is that they establish between the ministry and the Central Fund a joint definition of objectives and a perfect coordination of activities by both institutions while clarifying the sphere of activity and missions specific to each.

The situation that existed when I arrived is well known, and I will simply draw attention to its main outlines here.

As regards the situation with private investment in Africa, the disturbing signs that were becoming increasingly clear alarmed me greatly from the start. The report that I then requested from Jean Thil, the inspector general of finance, merely confirmed the gravity of the situation. In his unvarnished report, he forthrightly brought to light the extent of the obstacles to a quick recovery of both domestic and foreign investment in our partner countries: excessive factor costs, a general lack of competitiveness, an unsuitable regulatory framework and administrative practices that made things worse, fraud and corruption, and malfunctioning financial systems—the list is, unfortunately, too long to repeat here.

All those factors explain the stagnation in direct French investment since 1980, a stagnation concealed by high prices for raw materials in the 1970's. Those high prices also concealed the structural weakness of the economies in question. But I note that in the countries of the franc zone in general, the flow of investment has never been negative.

Faced with that situation, my predecessor was commendably concerned to deal with it as a priority and to initiate open dialogue with the French private sector. I am very pleased that I have been able to continue and expand that dialogue. Less than a month ago, for example, we held a very productive seminar with all the professional associations and were able to come up with an operational working plan for 1990. In another development, the meetings in Libreville have led to a continuing strong emphasis on partnerships between firms, perhaps without assessing all the preconditions influencing their large-scale development.

Through its quite severe conclusions concerning not only our system but also our partners, Mr Thil's report had the merit of outlining courses of action needing to be worked out in greater detail.

Those guidelines gave rise to intense debate within my own ministry and with the Central Fund, the Ministry of Finance, and our contacts in the world of French and African business. I thank them all warmly for making a valuable and concrete contribution to our joint thinking on this subject. As a result, I have decided to assign priority to three areas which, in my opinion, reflect a general consensus.

First, we will provide assistance for structural reforms in order to improve investment conditions. This is no doubt the key point, and it is the first mission I am

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assigning to the appropriate department in my ministry, which I have reorganized and that is now called the Department of Business Development. For business as for any other activity, development depends first of all on the establishment of favorable conditions in the host country.

Without this step, which will require much time and perseverance, we must not expect foreign investment to return in massive amounts or domestic private enterprise to flourish on its own. I am going to great lengths to convince our partners of this, since they will have to get beyond the stage of legal texts and guarantee the economic agents that local practice will be fair and in keeping with the state of law expected by those agents.

In this connection, I would like to salute the auspicious steps taken by Togo, which, after undertaking a very strict adjustment program—which is beginning to bear fruit—is now entering a new stage. By establishing a free trade zone to which I have pledged my support, Togo is opening up a path to the future, and I wish it success. I call upon investors to interest themselves in this initiative.

The Department of Business Development will, therefore, guide support programs in a certain number of countries that have asked or will ask for its help. Two such programs are already in the works for 1990. They will mobilize all the means of action open to French cooperation, probably including special assistance with sectoral loans linked to those programs for improving the economic environment. It will also be responsible for staying in close contact with the Bretton Woods institutions. As regards the latter, policy will focus on upstream dialogue at a very early stage, the purpose being to come up with joint economic policy recommendations to be presented to our partners. I am very concerned to bring about a new approach to industrial policy by institutions which, I must say, have led the productive apparatuses of certain friendly countries into tragic situations; I am thinking, for example, of the new industrial policy in Senegal, which overall, and despite the good intentions behind it, has had disastrous effects on our partner's recovery.

These thoughts on the economic environment lead me to comment on one essential aspect of that environment: the monetary framework. The French Government feels deeply that a common monetary zone based on stable parity is a factor for the development of trade and an irreplaceable bridge between Europe and our favored partners in Africa. Every firm that has experienced the shortage of foreign exchange, the impossibility of making transfers, and collapsing exchange rates knows what a haven the franc zone represents for economic activity. The fact that investments in the zone are continuing despite the crisis confirms our view.

At its current level, the parity of the CFA [African Financial Community] franc with the French franc seems to us to be one of the foundations of the franc

zone's credibility. Agreeing completely with Pierre Beregovoy, I can tell you that in our view, a devaluation of the CFA franc is completely inconceivable. The experience with other African devaluations strengthens this conviction of ours. I believe that the extent of the financial efforts agreed to by France in this franc zone and the scale of the measures adopted for overcoming the banking crisis demonstrate our determination quite clearly.

That determination must be shared by our African friends, who are responsible for their currency. A high-quality currency is earned: stable public finance, healthy credit, and solvent and independent banks—that is the goal that must be achieved in the short term, while in the medium term, the economy must provide production factor costs, an environment, and a level of productivity superior to those of its competitors.

We are not contemplating any alternatives to this policy, toward which all French cooperation is aimed.

The second priority is intervention in the financing systems. It is essential, however, that firms not be made the sacrificial victims of strict controls placed on the banks, the restructuring of which is a major step on the road to African recovery.

Very specifically, I have taken steps on two levels in consultation with the Central Fund.

The first step is quick intervention. This involves the establishment, during the first half of 1990, of a guarantee fund for investment loans in Africa that fall within the scope of my ministry's competence. It is noted that very few of the healthy commercial banks in African countries are inclined to grant medium- and long-term loans, since they feel that their situation makes it impossible for them to do so. The fact that business promoters currently do not have access to funds of that type constitutes the most important—but not the only—factor hampering productive development.

The system that we are setting up with the Central Fund is described more fully in the folder that will be handed out to you. It is aimed at simplicity. It will use public funds to establish a guarantee fund that should total at least 40 million francs. My ministry has already decided to contribute at least 25 million francs to help set up this fund, and for its part, the Central Fund will contribute at least 15 million. We are hoping for other contributions, but we are not going to wait for them before putting this fund to work. I am, therefore, appealing to all banks and companies interested in participating to join us in this effort.

The fund in question will cover the refinancing of investment credits granted by the Central Fund to African primary banks. This makes it possible to underwrite, on a case-by-case basis, up to 40 percent of the total loan risk. Our banker friends, with whom we held lengthy discussions concerning this arrangement, will

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thus be able to increase their medium-term risk without being relieved of their primary responsibility.

We estimate that with its original appropriation, this fund will quickly be able to guarantee about 250 million francs in new debt per year. It will thus be an important component of the system for financing private projects in sub-Saharan Africa. Its cost to the borrower will come to about 2 points. It is based on a mutualist philosophy: the premiums collected from borrowers should, when added to the original appropriation, cover the cost of claims and the cost of administration. We intend to prove that such a balance is possible.

This fund will also give us time to prepare carefully for the medium term. We have started thinking carefully about the future financing of investments (including both self-financing and borrowing), taking into account particularly the current disappearance of development banks. We are considering the matter on an urgent basis in the context of the operations for restructuring the banks, the purpose being to produce specific proposals quite quickly for the rehabilitation, establishment, or diversification of banking. At the moment, all options are open.

The third priority is to increase the impact and viability of French cooperation activity. This is the entire object of the reorganization that we have agreed upon with the Central Fund and that will result in a much more efficient definition of each party's principal missions:

- It will be up to the Ministry of Cooperation and Development, acting through its Department of Business Development, to oversee everything related to cooperation between states, multilateral cooperation, and relations with organizations in the private sector.
- For its part, the Central Fund will provide a complete range of responses to the financial needs of the firms themselves. It will do this by setting up a "single office" in 1990 to handle all requests for financing, whether these involve loans, the purchase of a stockholding interest by Proparco, or the financing of project studies, training, and technical cooperation with funds provided by my ministry. The Central Fund/Proparco system will be able to intervene on its own, seeing that together with Pierre Beregovoy and Philippe Jurgensen (who will explain this important point to you), we have decided that in addition to other measures strengthening the CCCE's possibilities, Proparco will be able to grant loans directly to firms.

The overall system will be strengthened by three major steps:

First, the strengthening of industrial cooperation and partnership programs, since some of those programs are achieving very encouraging results—in Madagascar and Haiti, for example. But I will step up those programs only on a selective basis—when I feel that the ambient conditions are sufficient to ensure their effectiveness.

Second, procedures for project support—those of the Fund for Reimbursable Studies, for example—will be expanded to cover a larger sphere. I draw your attention to the establishment of a "technical partnership" fund that will make it possible to help firms train their African personnel as a means of minimizing technical assistance and promoting technology transfer. Technical partnership and the training of entrepreneurs will be the subject of further planning and action in the future.

Third, I will increase our effort on behalf of local PME [small and medium-sized businesses] and microfirms. That is where the African entrepreneurs of tomorrow are to be found. Our cooperation has neglected this fertile field for too long, and it is an area that is going to benefit fully from our coming efforts with respect to the business environment. But we are already designing specific programs for that area. These involve the setting up of suitable financing and support—to be introduced in two countries in 1990—and the development of services that can be provided by local structures (for example, by chambers of commerce working in cooperation with the Permanent Conference of French and African Chambers of Commerce). In this connection, I thank them for the concrete steps they have taken. (...)

The success of this gamble requires an unprecedented effort on the part of Africans. I have confidence in Africa, and I will not be sparing in my support of our African friends who decide to participate. (...) [end of Minister Pelletier's remarks]

(The director general of the Central Fund then completed the presentation with the following remarks:)

The Central Fund for Economic Cooperation (CCCE) is (...) destined to play an important role in this effort in close cooperation with the new Department of Business Development. (...)

Financing the competitive productive sector is not something new for us. Actually, that type of financing, along with the financing of major economic and social infrastructures, has always been one of our two poles of activity in developing countries. But it is taking on increased importance under the current circumstances, in which the recovery of private investment is having to take the place of a public sector that is hampered in many cases by budget deficits, the burden of debt, and the sluggishness and poor functioning of its management apparatus.

New problems are presenting themselves, and new ways of responding to them must be found.

Above all, it is necessary to develop local activities. We feel that this is possible. (...) There exists in Africa a class of entrepreneurs to whom we must provide an opportunity. Today, the creation of new jobs, increased production and exports, and a better standard of living in the developing countries depend largely on the success of their efforts and their creativity.

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But if they are to be successful, local savings—which are more sizable than is thought—must be invested locally rather than being sent abroad, as is often the case today. It is, therefore, necessary to provide attractive opportunities for such investment. Domestic investors must also receive support—through a transfer not only of funds but also of technical know-how and experience—from French firms, and particularly medium-sized firms, whose problems are most similar to those encountered by their African partners.

Encouraging the establishment, expansion, or restructuring of local medium-sized private firms in the competitive productive sector and encouraging partnerships within those firms between domestic and French investors—those are the objectives targeted by certain of the Central Fund's initiatives:

- The establishment of its subsidiary Proparco, which is intended in particular to provide medium-sized firms not only with capital but also with technical assistance in designing and setting up their projects.
- A growing diversification of the Central Fund's own loans to the private sector.

The establishment of Proparco provided the Central Fund group with a new instrument that is comparable, making due allowance, to what the World Bank has in the International Finance Corporation. (...) Its establishment has been gradual and relatively slow, because "risk capital" poses difficult problems, particularly in developing countries. But the result is that Proparco has been able to put together coherent and qualified teams that now enable it to enter a new phase: one that will be characterized by a real change in dimension.

This is also true of the Central Fund, whose assistance to the private sector (in an amount that will exceed 800 million French francs this year) is currently rising at a rapid rate. (...)

Just a few years ago, most of the Central Fund's loans to private firms had to be channeled through the national development banks, and the backing of the states in question was required. It has been possible to relax that very demanding procedure considerably, and we now have an extensive range of different instruments that can be adapted to the situation of the country concerned or to the conditions proper to the project in question:

- Loans to firms through commercial banks with which we have signed "framework agreements."
- Certain kinds of loans to development banks (including both refinancing on a case-by-case basis and the opening of lines of credit) in countries where those banks conduct their activity under acceptable conditions.
- Financing facilities with certain central banks.
- Direct loans to the firms themselves with bank guarantees covering the entire amount but without state backing.
- Small loans permitting involvement with microbusiness under a special procedure called Aid to Basic

Productive Initiatives (AIPB), often in conjunction with French or local nongovernmental organizations.

To ensure greater flexibility and faster service in granting our assistance, we have simultaneously undertaken extensive decentralization. The managers of our local branches (the CCCE has local representation in 25 African countries) are empowered to authorize loans in amounts of less than 10 million francs for operations in the private sector.

All those measures have made it possible to meet the demand from the competitive productive sector more quickly and more efficiently, especially in the field of industry. By themselves, however, they do not make it possible to move ahead at a faster pace and enter the new phase called for by the policies just outlined.

The causes of the "slowdown" are many, and their importance varies by country.

In the case of the commercial banks, one can see a very understandable reluctance not only to commit themselves to the long term but also and especially to guarantee 100 percent of the risk, something that the Central Fund required of them until now.

In the case of the Central Fund itself, a marked increase in direct guaranteed loans to firms does not seem desirable, since this is something that could be handled by the banking system.

Lastly, as far as borrowers are concerned, the diversity of mechanisms, although necessary and favorable in other respects, becomes a source of confusion if borrowers have to deal personally with various institutions whose differing procedures and spheres of activity are not always very clear to the borrowers.

It is for the purpose of meeting those difficulties and removing those obstacles that we, together with the Ministry of Cooperation and the Ministry of Finance, have now adopted a series of new measures which, we hope, will make it possible to provide investors with assistance that is more sizable and better adapted to their needs.

Those measures concern the entire "Central Fund group"—that is, both the Central Fund itself and its subsidiary Proparco.

The provisions affecting Proparco are both quantitative (increased resources) and qualitative (a larger geographic area and an expansion of the nature of its activities).

The doubling of its capital from 50 million to 100 million francs is now complete. The tripling of that original amount, as authorized at the recent board meetings of the CCCE and Proparco, will soon be carried out by the Central Fund. The next step, to be taken in upcoming months, will be to open up our capital to outside stockholders. We feel that at first, the share assigned to those stockholders might amount to about 20

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percent, after which it would rise to one-third, bringing our total capital to around 200 million francs.

The expected presence of those new partners will not only be of financial value to us but will also have the advantage of bringing in diversified experience with business, investment problems, and the management of risk capital. This should make it possible to carry out partnership operations more easily and to set up round-table discussions. It is also based on our commitment to balance Proparco's operations and eventually make it profitable. Without losing sight of development, which is our priority objective, we ourselves must set an example of rigorous management. Otherwise, the advice we give investors would lose its credibility.

Parallel with that increase in capital and the opening up to outside stockholders, Proparco will be able to serve medium-sized firms in the competitive productive sector and subsidiaries of French firms operating within its sphere, not only by investing in them but also, and this is new, by obtaining loans.

Since Proparco cannot borrow money on its own, those loans will be financed with lines of credit opened by the Central Fund, which, thanks to its triple-A rating, obtains the best terms in the financial markets. Those loans will be granted to firms in which Proparco owns stock or that it supports out of its own funds. For reasons of prudence, Proparco's interest in a particular firm will be limited to 5 percent of Proparco's own funds and cannot exceed one-third of the capital of the firm in question.

This combination of loans and stockholding interests within a single organization should result in greater synergy among the various forms of financing and a better follow-up of operations. In those conditions, loans will be granted at Proparco's direct risk, with the possibility that 40 percent will be covered by the Guarantee Fund. (...)

As regards the new geographical extent of Proparco's operations, the area in question will soon be extended to cover not only the area currently covered by the Central Fund but also all African countries beyond the Central Fund's sphere except for three: South Africa, Egypt, and Libya. This applies both to loans and to stockholding interests. Within that expanded framework, however, we intend to continue assigning priority to African projects in the Central Fund's current sphere of activity.

For their part, the new measures affecting the Central Fund itself are aimed primarily at simplifying the task of investors as regards the concerns expressed by the minister of cooperation.

The reports on studies dealing with that problem have brought out the need to provide firms with a "single contact" capable of working with them on all their problems and meeting all the various needs that investors have. That contact now exists: since 6 November,

Jean-Pierre Gonon, director-delegate to the director general of the Central Fund, has been assigned to coordinate all the activities of the Central Fund and its subsidiary Proparco with respect to the firms. He will be able to assist and advise them in designing, presenting, or negotiating their programs. He will be in charge of a team responsible for furthering all activity by the group in that area and for preparing the new instruments for which a need will be felt as time goes on. Eventually, once it has built up an adequate financial base and further strengthened its human resources, Proparco may take direct responsibility for all those tasks.

From now on, with regard to foreign operations, the "single office" that is now open in the Central Fund group will provide investors with easier procedures, faster processing of their applications, and a greater concentration of the various instruments: loans, stock purchases, studies, technical assistance, and so on.

This coordination function also extends to the forms of assistance that will be delegated to the Central Fund by the Ministry of Cooperation and Development beginning in 1990. This means that in coordination with the new Department of Business Development that has been set up in that ministry, the "single contact" will be able to take over or supplement with limited subsidies the support—in the form of technical assistance, training, studies and diagnostics, and so on—that will accompany the putting together of projects.

This simplification at the level of the central structures will be rounded out by a new division of tasks between the head office and its branches to further promote a decentralized approach. As far as possible, the delegation of decisionmaking power that now exists only for operations by the Central Fund will be extended to the entire group. The Central Fund's branch managers will also continue to represent Proparco in their areas. This means that at that level, they themselves will be able to play the role of "single contact" for entrepreneurs that is played at the central level by the director-delegate.

At the level of the Central Fund group, and including all activities, these measures should result next year in both an overall increase in assistance to the private productive sector and some redistribution of tasks between the group's two main components: the Central Fund and Proparco.

In Proparco's case, the objective is to gradually achieve an annual loan volume of approximately 300 million or 400 million French francs. I hope that a share of that assistance (the largest share possible) will go to new initiatives on the part of investors; another portion will naturally consist of operations financed by the Central Fund itself, either directly or through the banks, under the previous system.

Moreover, the credits granted to firms by the Central Fund will themselves tend to grow as well. Large state-owned enterprises or mixed-economy companies under

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private management (in the sectors of energy and transportation, for example) and, more generally, all the firms not financed by Proparco with its own funds will continue to be financed by the Central Fund itself—and this applies as well, of course, to loans granted to states for financing infrastructure and operations concerned with restructurings and sectoral or structural reorganizations, particularly in the banking industry. Without these, our efforts on

behalf of the firms would be in vain, since the economic environment necessary for their success would be lacking.

All the steps that have just been taken will gradually be supplemented later by other measures aimed both at achieving a greater concentration of instruments—to make them more effective—and at a better coordination of those instruments. (...) [end of Jurgensen's remarks]

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* Investment Climate Said To Worsen for Continent

34000269A London AFRICAN BUSINESS in English
Jan 90 pp 10-12—FOR OFFICIAL USE ONLY

[Article by Colleen Lowe Morna: "Investment Climate Worsens for African Countries; for Many International Investors, Africa Does Not Exist, and the Continent Could Lose Valued Investment to Competition Elsewhere"]

[Text] Opening a seminar on promoting foreign investment in Sub-Saharan Africa recently, UNDP [United Nations Development Program] Regional Director for Africa Pierre Damiba repeated a joke told to him by a New York banker the night before. "Do you know the latest news on Africa?" the question goes. The answer is, "The Indian Ocean has met and merged with the Atlantic Ocean, and Africa has now disappeared!"

Though offensive to some of the businessmen, government officials and academics at the conference, organised by the International Finance Corporation's Financial Advisory Service (FIAS), the joke highlighted a pervasive theme: For many foreign investors, Africa still does not exist at all.

At the same opening ceremony, IFC [International Finance Corporation] President Sir William Ryrie fired an arsenal of statistics which served to illustrate the point. Total investment in the 1980s has declined, with private investment halving to a dismal 5 percent of GDP [gross domestic product] or \$7-8bn a year, Sir William noted.

"Foreign direct investment", he added, "is negligible, recently only about one tenth of total private investment, and equivalent to a mere \$2 per capita."

200m New Jobs Needed

Yet, he noted, with the continent's current population set to double by the year 2010, 200m new jobs will need to be created continentwide to absorb new entrants onto the labour market.

A long-term World Bank study on Africa's economic prospects finds that total investments in Africa will have to increase from 15 percent to 25 percent of GDP in order to reach the "minimally" acceptable 5 percent growth rate at which per-capita incomes would be rising marginally, reversing past trends.

To achieve this performance level, commented Sir William, it would be necessary for private investment to triple to 15 percent of GDP. While not discounting local investment, a considerable proportion of these resources would need to come from abroad, the IFC chief added.

Two other factors added a sense of immediacy of the deliberations. One is that the majority of African countries have or are implementing IMF- and World Bank-sponsored structural adjustment programmes, designed

to put their macroeconomic houses in order and open their economies to market forces. The survival of these programmes, participants recognised, will very much depend on whether foreign investment is forthcoming. And the need to get in on the action now is all the more imperative, delegates noted, because of the implications of Europe 1992 for Africa.

One school of thought says that Africa will eventually benefit from the expected buoyancy of its largest trading and business partner. On the other hand, as Economist Dermot McAleese of Dublin's Trinity College told the conference, the trend for now is to "become pan-European."

In later stages, when European firms start looking beyond the EEC, a great part of their attention is likely to be distracted by the recent dramatic turn of events in Eastern Europe. And after that, he noted, Latin America and Asia still hold more glitter than Africa.

Major Obstacles

What, then, are still the stumbling blocks? Though the conference never quite spelt it out in these terms, a recurrent theme was that structural adjustment programmes, far from being a panacea for business, are having contradictory effects.

In Ghana, for example, the IMF-imposed restrictions on money supply—while helping to bring down inflation—are causing a severe and highly unpopular credit squeeze among businessmen. The banking system generally is in a mess, and as Sir William conceded, "Financial-sector reform has been a late starter in the structural adjustment process."

Foreign businessmen present cited a host of other factors. In many African countries, noted US business consultant Elliot Berg, reform measures have not been well synchronised or have reached only "shallow levels of penetration". As a result, "the credibility of the reform process is not yet widespread". Domestic markets are tiny, and local buying power is weak, again partly as a result of austerity measures.

Apart from the need in most African countries for an urgent review of the regulatory framework, the political statements emanating from many African countries continue to confuse and turn off potential investors, Berg added.

Far East Lessons

Indeed, turning to what needs to be done, the IFC's Sir William underlined the importance of "a whole new attitude to private investment and foreign private investment" in Africa. One of the main lessons that can be learned from the experience of the Far East, he observed, is that welcoming tones have to come not just from government officials but also in newspapers, airport procedures and all that goes into making up an "investment climate".

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In a joint paper on marketing a country overseas, Louis Wells (Harvard Graduate School of Business Administration) and Alvin Wint (Northeastern College of Business Administration) stressed that "until investment climate problems are dealt with, promotion is likely to be wasteful, or even counterproductive".

That said, their studies show that investment promotion is most effective in attracting firms that plan to produce for export rather than for the local market.

Specialist Markets

On the other hand, they note that a number of multinationals from countries like South Korea, India and Brazil specialise in producing for the sort of small domestic markets which characterise most African countries and which aren't attractive to Western firms; these potential investors might be worth courting.

"It may be", the researchers suggest, "that these firms, with less experience internationally, are more susceptible to well-designed and -targeted promotion programmes that reduce the information and search costs associated with investments designed to serve the domestic markets of particular African countries." Ghana, for one, has indicated that it will be making more vigorous efforts in future to try and enlist investors from the so-called newly industrialised countries (NICs).

African Tiger

Of considerable interest at the conference was Africa's own little tiger, Mauritius, whose success story provided some room for positive analysis. A speaker from the Indian Ocean island stressed that, as with a "tropical cocktail", several ingredients had gone into the country's turnaround—including a stable democratic government, consistent government policy in favour of market forces, and willingness to look outward when import substitution failed.

However, the key to the island's fortunes, the speaker noted, has undoubtedly been the 1970 Export Processing Zones [EPZ] Act, which set out incentives for industries prepared to secure a niche in overseas markets. The EPZ has led to a growth in the number of exporting firms from nine in 1971 to 575 today; the workforce has grown from 644 in 1971 to 90,000 today.

The idea of EPZs, according to the IFC's Sir William, is catching on or is being revived. Seven African countries, he revealed, are working to set up EPZs, while five countries which already have free zones of some description are trying to resuscitate them.

While examining offshore export options, the conference also looked at ways of improving market viability closer to home. A recurrent theme—now commonly heard in World Bank circles as well—is the need to strengthen African regional co-operation, long a cherished political goal of the continent.

During the conference, FIAS African head Martin Hartigan launched the idea of a "Scheme to Promote Unlimited Regional Trade" in Africa, otherwise known as "Spurt". Key features would be a donor-funded Common Export Pre-Financing Facility and a Common Investment Promotion Fund. The proposal is currently being studied by officials of the Preferential Trade Area (PTA) for Eastern & Southern Africa—on which Spurt would initially focus—and by the World Bank.

Gestures around the time of the conference, which preceded the annual IMF and World Bank meeting in Washington, illustrated that both governments and foreign investors are starting to move along the same course.

For example, of the six new countries to sign up with the bank's political risk insurance scheme, the Multilateral Investment Guarantee Agency (Miga), four—Swaziland, Angola, Zimbabwe and Botswana—were from Africa.

Meanwhile, at a well-attended cocktail party, the US government's Overseas Private Investment Corporation (Opic), along with a group of US corporations, launched a \$30m "Africa Growth Fund" aimed at providing capital for firms wishing to invest on the continent. "In all the continents of the Third World, Africa is still viewed as the most difficult to do business in," an Opic official noted. "On the other hand, it is most in need of investment."

* Guinean-Liberian Mining Project Assessed

90EF0180A Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 22 Dec 89 pp 3738-3739

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[Article by A. Guillaume-Gentil: "The Mont Nimba Iron Mining Project"]

[Excerpts] Guinea has large iron ore reserves. They are estimated at nearly 10 billion tons, or about 6.6 percent of world reserves. These reserves are distributed over several sites: deposits at Kaloum, Yomboeli, Forecariah, Simandou, and Mont Nimba. The Mont Nimba reserves are estimated at 1 billion tons, 350 million of which have been prospected in detail and have proved to be of very high quality, since the iron content is 66.7 percent (one of the highest, along with the deposits in Finland and Liberia), and the ore contains very little phosphorous.

The Nimba mountains are located in a wooded area of Guinea along the border with Liberia and the Ivory Coast. There are three iron deposits on the Guinean side of the border: Grands rochers, Sempere-Chateau, and Pierre Richaud. The Mont Nimba mining project is a very promising one, which has been dormant for a number of years but is likely to be developed in the near future.

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History of the Project

The Mont Nimba mining project began in 1973 with the formation of the Mifergui-Nimba corporation, a company in which the Guinean Government holds 50 percent of the shares and the other 50 percent are distributed among the "B" partners, including governments (Nigeria, Libya, Algeria, and Liberia) and private foreign firms (U.S. Steel, INI [expansion unknown], MKS [expansion unknown], Mineral Import Export, Nicipmen, Solmer, and Usinor).

According to the basic agreement, the Mifergui-Nimba corporation is expected to produce 15 million tons of iron ore a year, and the cost of the project is estimated at \$1.2 billion. The project, however, was set aside and was only revived in the mid-1980's. The causes of this delay are numerous: the diversity among the partners, market conditions, complexity of the project, red tape. The prospect that iron deposits on the Liberian side of the border will be depleted by the end of the decade was the determining factor in the revival of the project.

Lamco Joint Venture, a semipublic Liberian company with the participation of Granges International Mining from the Swedish group Electrolux has, in fact, been mining iron in the Nimba mountains on the Liberian side of the border since 1963. The iron ore is transported via a 285-km long railroad to Buchanan port. Since the iron reserves are depleted, the staff of the company has been reduced by 50 percent, so the Lamco company has proposed to Mifergui that they jointly mine the Guinean and Liberian mines, and the "B" partners have asked the Guinean government to draw up a new project. In 1985 the BRGM [Geological and Mining Prospecting Office] became the technical and legal organizer of the project.

The Joint Mont Nimba Iron Mining Project

Since 1985-86, a series of measures and activities, including preparation of a conceptual study, creation of a joint interministerial committee between Guinea and Liberia, creation of a joint project implementation group, establishment of a timetable for carrying out the project, and completion of a prefeasibility study, has moved the project forward. In August 1988, promotional and financial material was prepared to promote the project with European steel works.

At the end of November, a meeting was held at the BRGM in Paris and attended by the following: a Guinean delegation composed of the minister of natural resources and the environment and four industry executives; a Liberian delegation comprising the ministers of finance, justice, land, mines and energy, and planning and economic affairs along with nine industry executives; BRGM president Mr Allegre; and representatives of the Indosuez Bank.

A status report on the points accomplished and those still pending shows the following:

The partners in the project. The project promoted by Guinea and Liberia will result in the creation of an offshore company, "Nimco," composed of the following:

- "A" partner: Guinea and the former partners in Mifergui-Nimba holding 20 percent. Partner "A" will contribute the deposits and the relevant mining rights;
- "B" partner: Liberia, which will hold 20 percent of the shares through the Nimbaco company, formed in August by the British company African Mining Consortium Limited (AMCL) and the Liberian company Liminco. Liberia will contribute to the joint project the existing facilities and infrastructure 17 km from the Guinean deposit. This infrastructure includes Buchanan port, the railroad, and industrial and social facilities. This infrastructure will have to be maintained and possibly renovated.
- "C" partners: these are the foreign investors, who will hold 60 percent of the capital. They will include: BRGM, which has made a commitment to furnish between 20 and 30 million to the Nimco company; and, Sollac, in partnership with Japanese investors, which will contribute 10 million, according to Mr Bakayoko Lancei.

Guinean and Liberian private and semipublic investors would like to hold shares in the offshore company and its capital. However, although in the beginning it was recommended that these investors participate in the project, the "C" partners have objected to this. The participation of Guinean and Liberian investors is one of the problems that was not resolved at the November meeting and that is still pending. Creation of the offshore company will depend on a solution to this problem.

The cost of the project. The joint project, reduced in size in comparison with the original project, is also less expensive. Liberia's contribution of infrastructure has considerably reduced the cost, since the estimated cost of the joint project is \$200 million. The project will be financed by a \$140 million loan and by equity capital (the remaining 60 million). The investments will for the most part be made on Guinean territory (building and equipping the mine, rail connections); on the Liberian side, the facilities will be renovated and improved (the work is estimated to cost \$40 million).

The consumer market. The initial project was based on an output of 15 million tons a year. Output under the joint project will be between 6 and 9 million tons a year. Besides the cost reductions, the joint project has another considerable advantage, which is that it will have the customers of the Liberian mines. As regards buyers, firm options have been received for 6 million tons, and about 3 million tons remain to be sold. To accomplish this, commercial promotion activities will be developed by specialists from BRGM and AMCL.

Among the sure buyers are the following companies: Sollac (France); Cokerill and Sidmar (Belgium); BSC

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[expansion unknown] (Great Britain); and, MKS (Yugoslavia). Orders, which will be finalized in the coming months, have come from the Ensidesa Company (Spain), Italy, and Mifergui's partners (Nigeria, Romania, and Yugoslavia). The contracts signed with buyers will be long-term contracts, which is relatively rare, in which the price of iron ore will be fixed annually.

Distribution of profits. Profits generated by Nimco will be distributed on the basis of three priorities: the first is remuneration of the cost of operations, debt service payments, payment of royalties to the two governments (two percent for each country), and reserves for investment; remuneration of the "C" partners is the second priority; the third is remuneration of the "A" and "B" partners. If there are any profits left after these priority operations, they will be distributed as follows: 1/6 distributed equally between Guinea, Liberia, Mifergui, and Liminco, and 2/6 to the "C" shareholders.

Legal framework. Agreements were signed among the various ministers on customs and tax regulations and circulation of persons across the borders. As for the mining code, derogations were accepted to take into account the specific nature of the project.

The Mont Nimba iron mining project has a number of advantages and appears to be the most likely to be implemented in the near future, before similar projects in Senegal or Gabon. The Guinean iron deposit is of very high quality with large reserves, and it is known to European users; a good part of the market is assured by Lamco's customers. Moreover, the cost of the project is relatively low since it is using Liberia's infrastructure and facilities.

Work required by the project should begin in 1990 and last two years. The mine should start producing by January 1993. During construction work and before production can begin, Liberia will continue to produce 2 million tons of iron ore for 3 years to maintain the existing infrastructure in good condition. During this period, negotiations will continue to finalize project financing and settle the problem of the "C" partners. A period of 10 months has been stipulated to set up the financing arrangements. The buyers' market must also be finalized and the offshore company established.

The Mont Nimba project is consistent with Guinea's mining diversification policy and will enable the country to reduce its dependence on bauxite. It will also be an important source of revenue, which is estimated at about \$25 million, and will create jobs for approximately 600 Guineans.

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Ethiopia

* Status of Negotiations on Eritrea Viewed

90EF0179A Paris LE NOUVEL AFRIQUE in French
Dec 89 pp 37-39—FOR OFFICIAL USE ONLY

[Articles by Sylvie Elourimi and Pietro Petrucci: "Time Presses"]

[Text] Since 18 November, Nairobi has been hosting the second round of negotiations on Eritrea, initiated last 7 September in Atlanta under the aegis of former U.S. President Jimmy Carter and the watchful eye of the State Department. The very difficult position of the Ethiopian troops in Tigre in recent weeks has naturally induced the Addis Ababa government to try to pursue negotiations with the pro-independence People's Front for the Liberation of Eritrea (EPLF). It is likely that as long as this dialogue lasts, the cease-fire that has been in effect since last May in Eritrea will be maintained.

However neither the Atlanta nor the Nairobi meetings have as yet discussed the main subject. The talks in the Kenyan capital are still called "preliminary," and have dealt with the last issues pending before the official opening of negotiations for peace without any prior conditions.

We have learned from a good source that the Soviet Union, primary military supplier of Ethiopia, has for its part let it be known that it will accept any settlement whatsoever as long as it meets with the agreement of the two parties to the conflict. This represents a considerable easing of the position held by Moscow, which has shown a clear interest in a military disengagement for the past several months.

Three basic issues remain to be resolved since Atlanta; the continuation of the negotiations to put an end to the 25-year-old conflict on which Africa has remained silent up to now will depend on the settlement of these issues.

The first issue is co-presidency. Jimmy Carter made it clear in Atlanta that he wanted to play the role of mediator. The EPLF was in favor of his playing a less prominent role. The Ethiopian delegation took advantage of this difference of views to ask for co-presidents, with the position to be shared by the former democratic president and an African leader belonging to one of the countries hosting the negotiations. From the start, Addis Ababa expressed a preference for Julius Nyerere, the former Tanzanian head of state who has remained in the number-one position in Chama Cha Mapinduzi, the ruling party in Dar es Salaam. The Ethiopians were also favorable to mediation by Robert Mugabe, the Zimbabwean leader. However, having two presidents sharing power inevitably poses the problem raised by the EPLF of who is controlling whom.

A Confederation?

Who will arbitrate a possible conflict between the two co-presidents? Moreover, the EPLF does not trust the

Tanzanian leader and suspects him of being on overly good terms with the Addis Ababa authorities, although it appears now that it is Mr. Nyerere's intention to support the idea of a confederation between Ethiopia and Eritrea like the Tanzanian union between the former Tanganyika and Zanzibar. Thus the Eritrean front proposed that the co-presidency be automatically given to the chief of state of the country hosting each of the stages of the negotiations. The talks are to be held in the following countries in turn: Kenya, Sudan, Egypt, Tanzania, Zimbabwe, and North Yemen.

The second issue involves observers. The Ethiopians have contested the large number of observers proposed by the EPLF, which include Great Britain, Italy, Sweden, Egypt, Pakistan, Nigeria, and Australia. Jimmy Carter suggested a compromise: the number of observers would be limited to seven, with each delegation proposing two and three to be mutually agreed. The Ethiopian delegation objected to this, but it wanted to maintain its right to reserve its decision.

Finally, there is the issue of the secretariat, another point of disagreement. The People's Front proposed that the secretariat be made up of representatives from the Carter Center in Atlanta, the OAU [Organization of African Unity], and the Sudanese Government. For the Ethiopian delegation, however, the members of the secretariat should serve on a personal basis.

Under Pressure of Arms

If these differences of opinion are not overcome, they could jeopardize the negotiations. Whatever answers are found to these questions, it is clear that the Eritrean rebel forces have obtained what they have been demanding since the start, and that is international participation in the settlement process since, for them, the Eritrean question is a problem of failed decolonization. There is no doubt that Addis Ababa, which continues to claim that the Eritrean issue is an internal problem and that Eritrea is a region of Ethiopia, has agreed to make this concession under pressure of arms.

These disagreements should not, however, conceal certain points of agreement between the two adversaries, neither of whom would back down just a short time ago. Neither of the two sides now wants to make the official proclamation of a cease-fire a priority. Although allied with the People's Front for the Liberation of Tigre (TPLF), which is pushing towards the Ethiopian capital, the EPLF does not seem tempted to add to the extremely precarious nature of the government's army in Tigre, Wollo, and Gondar. A cease-fire would, in fact, entail certain accompanying measures, such as suspension of any troop movements from one region to another, a halt to deliveries of arms to the Eritrean port of Assab, and a freeze on enlistment campaigns, which would inevitably further weaken the Ethiopian army and endanger the survival of the regime. Now, the EPLF wants to conclude an agreement with Addis.

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Is the government of Colonel Mengistu Haile-Mariam ready to make a pact with the Eritrean pro-independence forces so that it will be easier for it to wipe out the rebellion in Tigre? The opening of talks in early November between the Tigrean rebels and an Ethiopian delegation under the egis of Italy has undoubtedly been met with surprise, especially since the Ethiopian leader just said that he believed in a military solution in Tigre, the only way to preserve the integrity of Ethiopia, in his view.

Since its alliance with the EPDM [Ethiopian People's Democratic Movement], the TPLF, active in Wollo, has tried to appear as a national opposition movement and not as a strictly Tigrean one. It is now demanding the formation of a provisional coalition government representing all the political forces in Ethiopia, with a view to preparing for general elections and drawing up a new constitution. By agreeing to talks with the TPLF, is the Addis Ababa government following the example of its closest ally in recent times, East Germany, a country with which it shares a strong distrust of Mikhail Gorbachev's perestroika but that today is trying to respond to the democratic aspirations of its people? It is too soon to tell. But this is perhaps the path to take to stop the hemorrhaging in Ethiopia.

The Empire on the Verge of Breaking Apart

An old notebook tells me that it was 4 May 1977, the day of my first visit to Nakfa, the main town in the Ethiopian province of Sahel that that day became the capital of liberated Eritrea. The government's army, the revolutionary army of Colonel Mengistu Haile-Mariam of course, had just been dislodged at the end of several months of a "total" siege, and at the price of a massacre that was as frightful as it was unknown to the outside world. The ones who died in the last battle had barely been buried. With my Eritrean companions, I spent an afternoon reading letters written (but never sent) by Ethiopian soldiers doomed to die. "They shoot us in the back to force us not to leave the trench," wrote the soldiers under siege. Or: "Our enemies are not these Arab mercenaries and drug addicts we have been told about, they are soldiers who are fighting in their country." "We are now urinating in gourds so that we will have something to drink." "No, we can never win this war, everyone here knows this."

Nobody will ever know how many people had to die (and it is in the hundreds of thousands) before the Addis Ababa regime reached the same conclusion as the Nakfa infantrymen, 12 years later.

Today, yesterday's "bandits" are the spokesmen with whom Mengistu has been forced to negotiate if he wants to remain in power in Ethiopia. Moreover, now it is no longer just the nationalists of the People's Front for the Liberation of Eritrea (EPLF). Last November, before the second round of meetings with the EPLF opened in

Nairobi, Addis Ababa had to agree to and begin discussions with the People's Front for the Liberation of Tigre (TPLF).

What will be the outcome of these parallel negotiations? The empire is on the verge of breaking up. In northern Ethiopia, Eritrea, as everyone knows, has been lost for a long time. Retrenched in the three largest cities in the province—Asmara, Massaoua, and Keren—government troops are no longer contemplating taking any offensive action. And that is not the most alarming thing. The situation is even more serious in the south, where the People's Front for the Liberation of Tigre is camping at Dessie, 300 km to the north of Addis Ababa. Stemming from the EPLF (part of Eritrea is populated by Tigreans and Tigre has always helped defray the cost of the Eritrean war), the Tigrean movement found very fertile ground for its growth. And the temporary divorce from the EPLF has not prevented the Tigrean rebels from entirely liberating their province.

Pivotal Point

In the shadow of the Tigrean victories, a third political and military movement, the Ethiopian People's Democratic Movement (EPDM) has taken hold among the people of Wollo and Begemeder. Grouping together militants from various ethnic groups, the EPDM, which does not claim to be Marxist, shares the main objective of the TPLF's political and military plan: to take away the monopoly of power held by Mengistu and his party so that a new Ethiopian state can be formed with the participation of all nationalities and major political parties. Now unity between all these forces opposing Addis Ababa is far from being achieved. But it has become increasingly clear that Tigre and the Tigrean nationalists (who at one time were the heart of the Ethiopian empire of Axum) are in a position to become the pivotal point for any possible future alliance.

Petros Fessahazion, one of the EPLF's representatives in Europe, is not very optimistic about the future of the negotiations: "For the time being, we have the impression that Mengistu has agreed to negotiate to gain time. He had no choice: the internal situation is disastrous and international pressures are very strong. But, when you see that after the Atlanta and Nairobi meetings they are still discussing procedural details, you are entitled to be skeptical of the good faith of our interlocutor. If they think that time is on their side, they are wrong."

* EPRDF Claims 'Full Support' of Populace

34000366A London NEW AFRICAN in English
Jan 90 pp 9-11—FOR OFFICIAL USE ONLY

[Text] The Tigrayan People's Liberation Front [TPLF] and their allies are fighting a major and successful war against the might of the Ethiopian government. Already their frontline has come within 200 kilometers of the Ethiopian capital, Addis Ababa. Mohammed Amin, the renowned TV cameraman and photojournalist, has returned from the battlefields.

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Even before the ink was dry on the November peace agreement signed by Jimmy Carter, Ethiopia's Ashagre Yigletu and Eritrea's Al-Amin Mohamed Said, Ethiopian MiG 23s were striking Tigray Province—as the war between the Government forces and the Tigrayan People's Liberation Front intensified.

The reality is that while substantive peace negotiations between the Eritreans and the Ethiopian Government have yet to get under way, President Mengistu Haile Mariam's Marxist Ethiopian Government is under critical pressure to repel the Marxist TPLF which has been reinforced by Eritrean rebels, and defecting Ethiopian forces. This ramshackle alliance now under the banner of the Ethiopian People's Revolutionary Democratic Front (EPRDF) is engaged in Africa's largest, yet little publicized conflict.

Early in December, as students demonstrated against the TPLF army in the capital Addis Ababa, the Government forces of Africa's largest standing army were facing a formidably well-organized enemy. Since launching its offensive 18 months ago, the rebel alliance has made impressive territorial gains.

Although lacking any kind of air power, and little or no defence against the Ethiopian Air Force's modern jet fighter-bombers, the rebels have complete control over Tigray Province with the capital, Makelle, and the ancient city of Axum already under their administration.

Now they have also taken parts of Wollo Province and in Gondar Province, west of the rebel-held Simien Mountains. The capital Gondar, a strategic air base, is encircled by trenches manned by rebels.

The scale of battle is the greatest in Africa since World War II with massive divisions of men and armor ranged against each other. The largest battle so far was at Enda Silase in February and Axum in March, where after heavy artillery fire, the rebels took part in fierce hand-to-hand fighting and captured more than 100 Soviet-supplied tanks. At Enda Silase more than 13,000 prisoners surrendered.

At another base, Sheraro, there were at least 40,000 prisoners captured during the recent battles. Ironically many have been released. The alliance lacks sufficient resources to feed them.

Abraham Desta, the coordinator of the prison camps, told me that 12,000 had made their way home and another 18,000 were waiting to be released.

Prisoners' Options

He said such men had four options. The first was to go back home where they might be conscripted into the army again. The second was to remain behind in one of the liberated areas. The third was to join the rebel army and the fourth was to go outside Ethiopia.

Some 9,000, he said, had volunteered to join the TPLF and continue the fight against the Government forces.

Others had run away, but most had been recaptured by peasants sympathetic to the movement.

Nothing—neither man nor beast nor vehicle—moves during daylight hours and the Tigrayan people (like their Eritrean counterparts) have learned to live by night and sleep by day.

Indeed, during my 15-day journey through Eritrean and Tigray nothing moved by day. The towns and market places—particularly makelle where the departing administration destroyed the city's power system—come to life at sundown and shut down by dawn.

Yet within 18 months, the EPRDF forces have come perilously close to the Ethiopian capital. The closest point of the rebels' long meandering frontline is within 200 kilometers of Addis Ababa.

Perhaps the biggest irony is that the TPLF, unlike Eritrea's EPLF, embraces Marxism in a manner even more extreme than the Mengistu regime. It is an organization which salutes Stalin and hails Albania as the Marxist totem. Yet their civilian organization, military strategy, and courage, cannot be doubted.

No soldier is paid and yet the alliance can mount a total of at least six divisions. In the bloody battles of the last six months captured artillery and tank armor has been pitted against the official forces in campaigns that echo the scale of World War II.

The EPRDF has pushed forward with astonishing success. But despite talks in November between the TPLF and the Government in Rome, Italy, aimed at bringing a negotiated peace, the EPRDF forces, with their announced intention of bringing down Mengistu's government, continued their advance south towards Addis Ababa.

An editorial in a recent issue of the People's Voice, the TPLF's official journal declared, "After nearly 15 years of repression and military dictatorship, the Ethiopian people have renewed their call for peace and are openly agitating for an end to the war. Peace is the central issue..."

"Yet still the bombing raids continue, killing and maiming innocent civilians, destroying homes and property. Still the country's youth, particularly the poor and defenseless, are being forcibly conscripted into the army, to fight an increasingly unpopular war."

EPRDF strategy has been to encircle major towns, leaving them in Government hands, and cut road links. The garrison towns of Kombolcha, Dese and Mille—guarding the strategic highway to the port of Assab—are under government control.

During my visit I talked to Ethiopian officers and troops who had either been captured or had surrendered. A former Lt Col in the Ethiopian Army, Asrat Ayele, who was taken prisoner but is now fighting with the EPRDF, told me: "The government troops were not killing or

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fighting the other forces—they were killing and wounding the local inhabitants and burning houses. They were not fighting against the TPLF but against the people."

Col Ayele said that he had seen Ethiopian troops shot by their own colleagues. "Those troops who were defeated by the TPLF troops were made to withdraw. The government had arranged a special force which fired on its own soldiers, the government troops, from behind."

Killing own troops

He said that at least 80 were killed on 10 September. "I was there. They were some of the troops who I know were killed.

"Such cruelty and harshness made me stand against the present regime. I could not blame the government soldiers for withdrawing or having lost the will to fight."

The EPRDF's chief military strategist, Tamrat Lyne, who is also Chairman of EPDM, said their success in the last three months of 1989 were due to the organization's commitment to peace and democracy. "At the moment," he claimed, "we have the full support of the Ethiopian people."

He said it was the aim of the EPRDF to march on Addis Ababa. "We want to overthrow the Dergue [Mengistu's government] and establish a really democratic government... and of course we are going to overthrow the Dergue."

"We may be fighting against the largest army in Africa, but it's largest in numbers only. It's not the largest in its political aims and in its purpose."

It was an army of forced conscripts, said the commander—peasants, farmers, factory workers, students, and businessmen.

"They're conscripted and they're fighting us—not because they are interested, but because there's a gun in their backs.

"This army is going against the will and interest of the people."

Tamrat believed they were capable of overcoming Mengistu's army. "The people want us to go to Addis Ababa and destroy this regime and establish a peaceful situation in Ethiopia. We are able to go anywhere in Ethiopia and destroy the Dergue's army."

But the EPRDF military commander was unable to predict when the capital would fall. "It's hard to say in terms of months or years or days. The only thing to say is that the government is at the final point of collapse and this is seen everywhere and at every moment.

"We are not going against a Marxist government but a government that is undemocratic, a government which doesn't have any support among the people, and a government which is on the verge of collapse.

"For our part, we are struggling for genuine democracy and peace. In the EPRDF, the TPLF and the EPLF we are not all Marxists. There are Marxist-Leninists. There are liberal democrats. There are different ideological tendencies."

The aim of the EPRDF and its rebel allies is to establish an interim government and ensure the transition to a free and elected government chosen by the people.

Somalia

* **Ethiopian Refugees To Decide on Repatriation**
*34000367A London AFRICAN BUSINESS in English
Jan 90 pp 13-15, 17—FOR OFFICIAL USE ONLY*

[Article by Jeff Crisp]

[Text] "You have received assistance for more than ten years. But when circumstances change in a refugee's homeland, then he has to choose whether to stay or to go back home. You are free to choose, but you cannot expect to be assisted for ever. Don't dream that you can always be a refugee. You know what dreams are like. When you wake up, they have disappeared!"

Abdi Tarrah, Somalia's Extraordinary Commissioner for Refugees, is addressing a crowd of Ethiopian elders who have crowded into the District Commissioner's compound in the southern Somalia town of Luuq. In the next few weeks, up to half a million of their compatriots will be confronted with the choice which he has presented: to go back to their homeland and resume their former way of life, or to stay in Somalia—not as refugees, dependent on international relief, but as ordinary citizens, earning their own living.

Somalia's refugee problem—one of the oldest, largest and hitherto most intractable in the world—originated in 1978, when the Ogaden conflict sparked off a massive exodus from the Ethiopian provinces of Harrar, Bale and Sidamo. A second, much smaller, wave of refugees arrived between 1984 and 1986, fleeing drought, famine and Ethiopia's controversial resettlement programme.

Somali Welcome

Responding to the initial influx, the Somali government made it clear that the refugees—a large majority of them ethnic Somalis—were welcome to stay in the country until conditions allowed their return to Ethiopia.

But this welcoming attitude can be sustained only by international assistance. Somalia was—and is—one of the world's very poorest countries, confronted with periodic droughts and having less than 15 percent of its land area suitable for cultivation. It seems evident that only a handful of the refugees would ever be able to feed themselves.

Thus, by the end of the 1970s, the donor states and relief agencies which came to Somalia's aid had established massive "care-and-maintenance" programmes

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throughout the country's refugee camps. Their objective was to feed, clothe and shelter the refugees—essentially to keep them alive—while they waited for the opportunity to repatriate.

In the 1980s, the difficulties associated with this approach to Somalia's refugee problem became increasingly clear. It was extremely expensive, costing donors an average of \$70m a year, and it kept the refugee in an advanced state of dependence.

Reliance on Food

While many of the Ethiopians were able to gain a small supplementary income by trading, providing services in the refugee camps or selling their labor to local farmers the monthly food ration remained their primary source of subsistence.

For Somalia itself, the massive relief programme needed to sustain the refugees brought certain short-term benefits. Aid agencies established themselves throughout the country, bringing much-needed foreign exchange and employment opportunities with them.

Government agencies benefited from additional financial and technical support. And when drought struck, the rations brought in by the World Food Programme to feed the refugees became an important source of support for hungry Somalis.

But in the longer term, such advantages were outweighed by the distorting impact of international relief. At national level, the large amounts of food aid pumped into the country added little to its developmental potential.

According to analyst Preston King, by the mid-1980s refugee assistance amounted to at least a quarter of the country's GNP [gross national product]. With its economy shored up in this way, Somalia's structural problems were all too easily neglected.

Such unreality became even more evident at local level. Those areas where the Ethiopians were concentrated—primarily in the Gedo, Hiran, Lower Shabelle and North-West regions—soon developed highly artificial economies in which food aid (and ration cards) became a primary means of exchange.

Ecological Damage

Such assistance pushed prices down and thereby inhibited local agriculture, and it did next to nothing to combat the widespread ecological damage resulting from the refugees' presence. Areas that were forests in the mid-1970s were deserts a decade later.

Efforts to break out of the straitjacket of care-and-maintenance through local agricultural settlement schemes met with little success. As most of the country's viable land was already farmed or claimed by Somali citizens, the sites available for the Ethiopians tended to

be in marginal areas, requiring a variety of expensive inputs before they could become productive.

And as the small number of refugees who were able to participate in such schemes continued to receive their rations, they had little incentive to become truly self-sufficient. Programmes designed to teach the Ethiopians new skills, such as fishing, ran up against the same obstacle.

Years of Stalemate

By the mid-1980s, there appeared to be no easy way out of this impasse. But over the past 18 months, developments within the Horn of Africa have provided a real opportunity to resolve Somalia's decade-long refugee problem.

Politically, Ethiopia and Somalia have resolved many of their differences, leading to the conclusion of a "normalization accord" between the two countries in April last year. Since that time, the border area has been demilitarized, prisoners of war have been exchanged, and diplomatic relations have been resumed.

At the human level, the Ethiopian refugees living in Somalia have responded to these developments by "voting with their feet" and returning to their homeland in growing numbers.

Much of this cross-border movement fits into the traditional nomadic lifestyle of the Ogadeni pastoralists, in which survival skills are at a premium. Many refugees, especially able-bodied men, now move backwards and forwards between the two countries, maximizing their economic opportunities by receiving rations in Somalia while farming or trading in Ethiopia.

At the same time, an organized repatriation programme for refugees wishing to go home has picked up considerable momentum. Established on a small scale in late 1986 by the Office of the UN High Commissioner for Refugees (UNHCR), more than 10,000 Ethiopians have now joined the repatriation convoys which make a regular run across the border at Dolo.

New Action Plan

These new circumstances provided the breakthrough which UNHCR had been waiting for in its efforts to resolve Somalia's refugee problem. High-level discussions with Addis Ababa and Mogadishu started in 1988. By August 1989, a mutually acceptable approach to the problem had been worked out, and a special tripartite commission was established to devise a concrete plan of action.

According to UNHCR sources, the plan is based on an understanding that "for the majority of Ethiopians receiving assistance in Somalia, the circumstances which led to their becoming refugees are no longer relevant considerations". They are therefore being offered a

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choice: to return voluntarily to their homeland, or to stay in Somalia and become an integral part of its social and economic life.

In addition, any Ethiopian who is unwilling to repatriate for "personal and demonstrable reasons" is free to file an application for a continuation of his or her refugee status.

In early November 1989, a registration exercise was launched throughout the refugee camps of southern Somalia, so that the Ethiopians can make and record their choice. When the exercise is completed—it is due to close at the end of January 1990—those who have opted for repatriation will be helped to return, either by joining a UNHCR convoy or by receiving a grant to travel independently.

In both cases, the returning refugees will be entitled to 12 months' rations within Ethiopia and to a cash payment of up to 240 Ethiopian birr (officially \$117, but unofficially \$40) per adult.

Those who choose to settle in Somalia will receive a smaller cash sum—40,000 Somalia shillings (officially \$98 but unofficially \$35)—and rations for seven months after the date of registration.

Finally, those who apply for a continuation of their refugee status will be entitled to rations for a six-month period, during which their cases are to be examined on an individual basis. If their claims are accepted by a joint Somali/UNHCR Committee, they will be entitled to longer-term assistance.

With the registration process still getting into its stride, it is too early to detect any clear pattern in the refugees' response to the choice which has been put to them.

In Luuq, for example, an impoverished area close to the Ethiopian border, initial results indicate a marked preference for voluntary repatriation. Local sources predict that around 70 percent of the people registering will opt to return to Ethiopia and that many of those who choose to stay will be not refugees but Somalis who have managed to acquire a ration card.

Some Elect To Stay

In the refugee camps of Jalalaqi and Qorioley, which are located in more prosperous regions much further from the frontier, a higher proportion appear to have decided that their best bet is to stay in Somalia.

"Those who are already cultivating some land, who have set up a tea shop or bought a donkey cart, will probably carry on with their business," one Ethiopian told AB, "Some refugees will use their cash grants to buy goats and will try to make a living around the camps. And if things don't work out, then they will probably move on to a town and look for something else to do."

But the first people to register are, by definition, those who have already made up their minds. The majority of

refugees, having lived on hand-outs for a decade, are still weighing up the alternatives. Thus, when Extraordinary Commissioner Tarrah toured the camps with UNHCR officials to explain the registration exercise in November, many of the Ethiopians simply wanted more information.

Where can we cross the border if we decide to go home? Can we go back to any area we choose? Will our children be admitted into the Ethiopian schools? What luggage can we take with us? Can we reclaim the property which we left behind? These are just some of the questions posed.

Period of Adjustment

Whatever their final decision, it is clear that the phase-out of relief assistance will lead to a difficult period of readjustment—not only for the former refugees, but also for the Ethiopians and Somalis living in areas where they choose to settle.

On the Ethiopian side of the border, the main concern is simply coping with the potential influx of returnees. For if large numbers of people choose to repatriate at the same time, and if a high proportion of them choose to travel on the organized convoys, then the limited resources available in Ethiopia will come under serious—perhaps unbearable—pressure.

"We are waiting urgently for a new road bridge over the Dawa River at Dolo," explains Captain Alamu Sirak of Ethiopia's Administration for Refugee Affairs. "At the moment, all of the refugees' belongings have to be unloaded on the Somali side and carried across a pedestrian bridge by porters."

"And once we have the new bridge, our problems won't be over," adds local UNHCR staff member Markos Alemayehu. "We will also need more trucks, more spare parts and expanded reception facilities if we are to get all of the returnees safely back to their home areas."

In Somalia, the need to absorb thousands of new citizens in areas which have been sustained by international relief poses a different set of problems.

As UNHCR Area Development Officer Andrew Mayne explains, the employment and trading opportunities which have traditionally been provided by the refugee assistance programme will inevitably diminish as the phase-out goes into effect.

Simultaneously, the refugees opting to remain in Somalia will be learning to live without rations and making additional demands on local services. "Such changes", he acknowledges, "may cause particular hardship amongst the poorest and most vulnerable sections of the population, whether locals or refugees."

To avert such hardship and to reorient the economies of affected areas, substantial support will be needed from donor countries and institutions. In this sense, the phase-out is anything but a cost-cutting exercise.

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Catalyst Role

Mayne argues that such support must be mobilized and targeted in a number of different ways including these three:

- First, he points out, UNHCR will have to act as a catalyst, raising the cash needed to set up "rapid intervention" projects which create new opportunities and improved services for the lowest-income groups.
- Second, donors and international agencies will have to take the baton from UNHCR, funding longer-term local development programmes which compensate communities for the environmental and infrastructural damage caused by the refugees' presence.
- Finally, observes Mayne, the Somali authorities will need help to integrate the services established for refugees—such as schools, clinics, water-supply systems and logistical units—into national structures designed to benefit the entire population.

Despite Somalia's currently strained relationship with the major donors, indications are already appearing that the latter will view these needs sympathetically. In Mogadishu, Joseph Borich, Deputy Chief of the US Mission, explained that his government "recognizes the need for an assistance package which will help the refugee areas adjust to the new reality".

An important mission from the European Community, the World Bank and the UN was scheduled to visit the country before the end of December 1989, and its report is likely to provide some clue about the donors' intentions.

For the refugees themselves, access to funds is also a preoccupation. On the Ethiopian side of the Dolo bridge, AB talked to Kasim, a dignified old man from Borena who had just crossed into his homeland.

"I'm very happy to be back in my country," he declared. "I was never content in the camps, being dependent on the government and UNHCR for my food. I'm not young any more, but I can farm and herd, and my children will help me. But if I'm going to succeed, then what I'll need most is some cash!"

Tanzania

* Soviet Joint Venture in Cargo Hauling Launched

34000369C London AFRICAN BUSINESS in English
Jan 90 p 47—FOR OFFICIAL USE ONLY

[Article by John Ngai: "Perestroika Arrives in Tanzania Cargo Sector"]

[Text] The Soviet Union's new economic reforms are having an impact not only in the USSR but also in Africa.

The restructuring of the Soviet economy, or perestroika, inspired Tanzania entrepreneur Moez Kanji to contact the Russians about the possibility of forming a joint venture in cargo haulage to and from neighbouring African states from the port of Dar es Salaam.

Incorporated on 10 February 1989, the joint venture, Tanzania-Moscow Transport (Tanmot) Trucking, started operations in November 1989, with Kanji as the Chairman, Managing Director and Co-Director. The other Co-Director is Vladimir Klimov of the USSR.

Delayed Start

Operations were initially delayed because 25 MAZ trucks and 25 semi-trailers which had arrived on 10 August 1989 could not be cleared earlier from the port owing to complications in documentation, which were finally resolved on 30 September.

Originally, Kanji recalls, he had planned to buy 100 trucks for his Salama Exporters company, which now is run by his wife.

However, he explains that he changed his mind and decided to embark on a joint venture. Five countries, including the USSR, were ready to sell him the trucks, he told AB.

In 1986, he made the first of a series of his trips to Moscow for talks on the joint venture; he also presented his feasibility studies for the project.

Soviet Technicians

Under the deal, the Soviets agreed to provide technicians to take charge of the Soviet-built trucks. Kanji explains that the Tanzanian government sees Tanmot as an important project, so much so that it has allowed it to retain 60 percent of the foreign exchange it generates.

The authorised capital of Tanmot is Tsh140m (officially \$917,000). The trucks have been purchased on a supplier's credit.

Tanmot expects to have a fleet of 100 trucks and 100 semi-trailers by May 1991, Kanji projects.

Initially, Tanmot is to transport to Burundi and Rwanda, and later it is to expand into Uganda, Zambia, Malawi, Zaire, Zimbabwe and Botswana.

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Angola

* UNITA'S Educational System Described

34190082 Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 5 Jan 90 p 52
—FOR OFFICIAL USE ONLY

[Text] According to an AFP correspondent, insurgents of the National Union for the Total Independence of Angola (UNITA) have developed a complex infrastructure to counter the Angolan Marxist government since its rise to power in 1975.

Leaders in the territories occupied by UNITA, (mainly in the southeast of the country), have set up schools, technical colleges, hospitals, and community centers aided by sizable financial contributions from the United States. Education is obligatory for UNITA members and students are encouraged to continue their higher education. Promising students are then sent to universities in Portugal, Brazil, and France, or to the United States. However, a large number of students leave school promptly in order to engage in agricultural activities with their families, and most of the youth participate in combat against Angolan forces.

Young men generally join UNITA forces at the age of 15 to 16 years but many of them, influenced by the importance of the medical sciences in their educational system, study to become doctors. Around 60 students at the hospital in Mavinga are undergoing a nine-month training course in first aid, emergency treatment, public health, and basic surgery. Similar training centers exist in 26 military hospitals throughout the country.

Zambia

* 1990 Budget Reflects IMF Austerity Policy

34190045A Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 1 Dec 89 p 3479
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[Article: "1990 Budget: 25 Billion Kwacha"]

[Text] AFP reports that the new Zambian budget confirms the country's return to the policy of austerity recommended by the International Monetary Fund (IMF).

Presented in Lusaka on 17 November by Minister of Finance & Development Planning Gibson Chigaga, the budget includes a few measures to pacify the poorest segments of the society, those hardest hit by the former IMF program, which was abandoned in May 1987. Mr.

Akashambatwa Lewanika, a Zambian economist, confirmed the fact that the 1990 budget is clearly more in line with IMF theories than the two that preceded it. "A budget like the 1990 budget, which, in my opinion, proposes very tough, largely unpopular measures inspired by the IMF, should have included the means of reducing the effects of these measures." A Western diplomat, who declined to be quoted, also felt that the budget is reminiscent of the IMF's Structural Adjustment Program, which was rejected by President Kaunda under public pressure two and a half years ago and replaced by a Zambian economic recovery program.

"The economic reforms announced by Mr. Kaunda in June, the announcement in September that a program had been elaborated in common and approved by the World Bank, the IMF, and the Zambian Government, and now the 1990 budget, which preserves intact all the elements of the announced policy: All this confirms the fact that Zambia is again moving toward the Structural Adjustment Program," this diplomat felt. Zambia is now abandoning its "growth program based on its own resources" and "is reopening its doors to the aid providers." The 1990 budget reflects the austerity measures decreed these past few months, specifically: devaluation of the kwacha, an increase in bank interest rates, the abandonment of price supports for basic commodities, the removal of price controls for current products, and an attempt to control the money supply by a change of currency.

At the same time, it anticipates a deficit of 4 billion kwachas (\$250 million) for a total budget of 25 billion (\$1.56 billion), against a deficit of 2 billion for a total budget of 13 billion in 1989.

In the face of an inflation rate of from 60 to 70 percent, the government has provided social measures, like raising the minimum taxable wage, and has refrained from announcing the traditional series of increases that accompanied previous budgets. Two months ago Zambia announced that it had concluded an agreement with the IMF, an agreement the details of which were not divulged, but that was based on IMF support for measures that were to form the framework of the 1990 budget. A month ago, on his return from talks held in the main offices of international financial institutions in Washington, Mr. Chigaga let it be understood that the latter might resume support for his country. Zambia still figures on the IMF blacklist for not having repaid its loans from the World Bank and the IMF, loans totaling \$1.4 billion. But, after two years of freeze, bilateral international aid should be resumed, as was confirmed at a Paris Club meeting last August at which \$46 million in loans were pledged and at which the FRG promised to cancel \$500 million of the Zambian debt.

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Benin

* Kerekou Regime's Deepening Crisis Analyzed

34000370A London WEST AFRICA in English
29 Jan-4 Feb 90 pp 132-133—FOR OFFICIAL USE
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[Article by Marcus Boni Teiga in Cotonou: "President Kerekou Fears Economic and Social Upheaval; Crisis Watershed"]

[Text] The 17-year-old regime of President Matthieu Kerekou is now on the edge of a crucial watershed which will either transform or destroy it. Faced with a worsening economic crisis which has paralysed the functioning of the state, the President was forced, rather like one of the leaders of Eastern Europe in recent months, to make an historic reversal of policy.

After a two-day joint session of the Central Committee of the ruling Peoples Revolutionary Party of Benin (PRPB), with the Standing Committee of the Revolutionary National Assembly (ANR), and the National Executive Council (the government), it was announced that Marxism-Leninism would no longer be the official ideology of the country; that the ruling PRPB would no longer direct the affairs of state; that the post of Prime Minister would be created, to be responsible for his programme to the National Assembly; and that a national conference would be convened in the first quarter of 1990, bringing together all the living forces of the nation, to elaborate a new constitution, and "contribute to the building of a new democratic process and to the fostering of a healthy new political atmosphere in the country".

Preparations are now under way for this conference, which some Beninois have compared to the summoning of the Estates-General in 1789 in France. The idea was something which was mooted at the round table of December 2-3 held by a wide-ranging group of Beninois in the Parisian region, along with the idea of ending Marxism and separating party from state. It has been welcomed both within and without the country and the authorities have invited submissions from all comers. Those from overseas were due in by January 25.

By the second week in January, 17 political groups had registered, including the hitherto banned Communist Party of Dahomey (PCD), as well as 15 other groups and organisations, including trade unions and church groupings. After much initial criticism when it was set up in late December, late reactions to the conference proposal were more moderate, with most of those included deciding to attend to see what it would bring.

In the meantime, there seemed to be little easing of the acute tensions in the education and employment sectors. The December 7 announcement had been designed to preempt a general strike which had been called for December 8. The main activists in the strike call were the higher education teachers' union, the Syndicat des

Enseignants du Supérieur (Synes), which in August had disaffiliated from the central party-linked trade union organisation, having been involved in the agitations of January and May. The teachers had returned to work (and students to their classes in both schools and universities) in October, but there had been a warning that if they were not paid by December 8, contestation would resume. Since the pay was not forthcoming, demonstrations began even before the D-day for the strike, in Porto Novo, Cotonou and in Abomey. There, a police car was burnt and a police station attacked, and the national flag replaced by the old Dahomeyan flag, before police opened fire, reportedly killing two people. In Cotonou, while the major political instances were still meeting, a crowd spontaneously gathered in Red Star Square, now called 'Tiananmen' by the locals, distributing anti-Kerekou leaflets, before being dispersed.

The major demonstration came on Monday December 11, when a crowd of some 20,000 people, very big for Cotonou, converged on the streets of the popular quarters (normal carres) of Akakpa and Dantokpa, carrying leaves as a mark of solidarity. Government radio reported that the crowd burnt tyres. At the still uninaugurated Lenin statue in Akakpa, the cover was removed from the statue and stones thrown at it. At the Central Police Station there was a confrontation, and the police fired on the crowd, killing a young man of 20. After this the crowd dispersed. The mainspring behind the demonstration was generally described as being the banned PCD, which has been attracting more support as the social situation has deteriorated. Some slogans called for Kerekou to be replaced by Pascal Fatondji, a hitherto unknown figure, normally resident in Abidjan, who reputedly leads the PCD, and had been due in the country for a congress.

Later, the President went on an extraordinary walkabout in the carres, flanked by bodyguards. Although stones were thrown, some observers identified groups willing to express support for the President, who himself dismissed the hostile crowds as "bana-bana, dockers and jobless", rather than the striking workers. The official state radio at one point described the walkabout as taking place "amid ovations and stone-throwing".

In another incident, a young man tried to attack a bodyguard just as the President was entering his car. Soldiers opened fire, killing a youth of 12, and wounding several others. The next day, the interior minister, Pancras Brathier, banned all demonstrations through Benin, and threatened that the security forces would use force to suppress disorders. Although the strike in the civil service continued, other marches scheduled for Cotonou were cancelled.

Bizarrely, while all these events were happening, a joint delegation from the IMF and World Bank was winding up a month-long stay in Cotonou studying the still largely notional application of the structural adjustment programme approved in June. News that donors would be meeting in Paris on December 14 and had already

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agreed in principle to the release of CFA 7.5bn for the payment of October and November salaries, plus one month still outstanding from 1988, was communicated to the press by a member of the World Bank mission, Richard Wostobbe, on December 8, the first day of the strike, when Cotonou was, according to reports, a 'dead town'. This was later confirmed after the donors' meeting, and announced officially by the finance ministry two days before Christmas. This was not enough, however, for a government ultimatum at the end of the year for strikers to return to work or lose their salaries to have any effect, and strikes continued across a large section of the public sector into January.

Most key ministries were described as deserted, even if a brief strike at the radio and TV station ended when salaries were paid. A report from Agence France Presse on January 5 indicated that the contestation was being radicalised. It quoted the leader of Syne, Leopold Dosso, as saying that "even if the salaries are paid, work will not be resumed while our political demands are not met". The announcement that the key Union of Postal and Telecommunications Workers (Synespostel) was also to disaffiliate from the central organisation, the UNSTB [National Federation of Trade Unions of Benin], was seen as further evidence of this radicalisation. It followed the arrest of their Secretary-General, Ibrahim Zakari, (he was later released) for inciting railway workers to join the strike.

Meetings on January 15 and 18 between government and union representatives ended in reported deadlock, with further meetings still scheduled. Reports from Cotonou indicated that the government had begun paying December salaries. Long queues were reported at post office counters. Reports also indicated that among those being paid were members of the armed forces. At the same time, it was reported that members of four opposition factions had been holding a meeting at Avrankou, near Porto Novo. It was attended by representatives of groupings led by three former presidents, Hubert Maga, Justin Tometin Ahomadegbe, and Emile Derlin Zinsou, and the party of the late President Sourou Migan Apithy, now led by a former minister, Joseph Adjigoun Keke. The movements produced a document to serve as a basis for the national conference, calling for the resignation of Kerekou and his government, and was signed later by the leaders (Maga and Zinsou are still in Paris, but the other two are in Benin). Zinsou, in an interview, later said that the movements had come together because the gravity of the situation demanded unity for true national mobilisation: for 17 years the population had lacked stimulus, due to "the extreme corruption and bankruptcy of the state".

* Kerekou Interviewed on Survival Strategy

34000370B London WEST AFRICA in English
29 Jan-4 Feb 90 pp 133-134—FOR OFFICIAL USE
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[Extracts from an interview given by President Kerekou to Robert Monangoy of Radio France Internationale, on

December 11, the day of the big demonstration in Cotonou: "Organise To Overcome"]

[Text] [WEST AFRICA] Are you ready to hold talks with the other political factions?

[Kerekou] These do not constitute officially recognised organisations, that is, they do not represent the popular masses, the very ones for whom the revolution was launched, the people. Hold discussions with them about what? About the structural adjustment programme?

[WEST AFRICA] The people are demanding their pay today. They want money.

[Kerekou] If they want money, well, money does not fall from heaven. We do not think that you are not paid in your country. If you are here, it is because you are paid and you have a plane ticket. If you were not paid, you would not have come to Benin either.

[WEST AFRICA] With the measures that you announced for the first quarter of next year, are there going to be new elections?

[Kerekou] Certainly, we said that the national conference will give us suggestions and concrete proposals, and we will take these proposals into account to draw up a new constitution. You know, we did not consult any country before embarking on the revolutionary process nor opting for scientific socialism. We did not need to consult anyone to review our stand. We are free and sovereign.

[WEST AFRICA] What are you going to do not to accelerate the process? There are some people in your entourage who have supported the revolution up to now, but who have not yet accepted this change from Marxism-Leninism; are you still going to keep such people in your entourage?

[Kerekou] We do not need to dismiss anybody. We need all the active forces of the nation. I, myself, supported the revolution, and was the spokesman for the revolution. We know what is happening, that is why nothing surprises us. We were expecting all this and that is why we said the October 26 revolution was to prepare the popular masses in the towns and villages of the People's Republic of Benin to commit no crimes. At the appropriate time... whether we like it or not, we will experience great upheavals.

[WEST AFRICA] Do you think you are setting an example for Africa today?

[Kerekou] Out of modesty, we do not want to comment on this. And also we must not embarrass other people. Other people are listening to us. We do not want to resort to violence because violence cannot resolve our problems. They have heard that our partners in economic and social development are ready to help us. But a man worth his salt is a patriot: a sovereign people cannot become beggars. If other people are to help us, we must first help ourselves. It is written in the Bible and the

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Koran: Heaven helps those who help themselves. If we think, and we still believe it, that we must stretch out our hands so that other people, who pay their taxes, work hard in workshops and farms, and also pay contributions, and fight against fiscal fraud, want to help us. Benin cannot afford to relax into easy living. Benin is not the first country to go to the IMF and the World Bank. There are many governments in Africa which have not been able to pay the salaries of civil servants for several months. Nothing is said about that and there are no revolts like this... if there had been political, economic, social and cultural honesty, we would say our country is not strong. If we had to blame some of us, we obviously have to begin with those who have made their money here in Benin and have opened accounts abroad, and who, instead of investing their money here prefer to deposit it in foreign banks.

For quite some time, we have been denouncing our civil servants' management of state enterprises for their indifference, incompetence, lack of professional devotion, malingering and corruption. You did not believe us. Today we are experiencing a situation which did not just befall us, it was long expected, and there were warning signs.

We understand workers demonstrating, but to allow idlers to terrorise peaceful people, we will not accept that. That is why we have given orders to competent authorities that... all gatherings will be prohibited throughout the country and security forces have been given orders to use stringent measures. And when we talk of stringent measures, those of us who have been trained as soldiers know what this means. There you are!

We are moved by the enthusiasm of our compatriots. We felt that most of them are ready to work but they are not organised. They can do a lot of things. We must, therefore, organise ourselves to overcome our difficulties. These difficulties are not peculiar to Benin. We continue to say, and we are going to say to the world, that our country has the means. What we lack is, obviously, love for our neighbours and patriotism.

* Doubts Persist Over Kerekou Riding Out Crisis

90EF0196A Paris JEUNE AFRIQUE in French
22 Jan 89 pp 79-81—FOR OFFICIAL USE ONLY

[Article by Francis Kpatinde: "Benin Seething With Restlessness"; first paragraph is editorial comment]

[Text] Tension is rising in Cotonou. The opposition is becoming politicized. President Mathieu Kerekou has promised reforms, including a new constitution and a prime minister. Will he succeed in this way to give confidence back to the people of Benin?

Salaries and student grants are practically not being paid at all. The school and university year 1988-1989 was a complete loss. There is a danger that the next academic year will also achieve nothing. Under these conditions

hundreds of parents have decided to register their children in schools in neighboring countries. There has been a flight of capital to Togolese banks (60 billion CFA [African Financial Community] francs over the past 2 years).

There has been an uncontrolled increase in the number of opposition political groups (about 20 established in the space of a few months). At the same time dozens of partisan leaflets and other publications are inundating the streets of Cotonou, Porto-Novo, Abomey, Lokossa, and Parakou.

Violent street demonstrations have taken place and at times have been harshly put down. There is paralysis in government offices and ministries. Rolling strikes have occurred in companies with mixed government and private sector capital. These are the only concerns that have not gone into bankruptcy.

In this context is it necessary to state that Benin is seething with restlessness? There has been no uprising, but circumstances strangely resemble one. In Cotonou, on one of the numerous placards displayed by demonstrators, the angry message can be read: "17 years! Good heavens! 1 Year More? No way!"

And it seems that nothing can defuse the grumbling which, week after week, is expanding to include all social and professional groups. The entry into the government, at the beginning of August, of several independent, civilian figures, including, in particular, Robert Doussou and Germain Kadja, both prominent lawyers, does not seem to have satisfied the opponents of President Kerekou. Neither did the general amnesty which was decreed several weeks later.

A More Political Turn

In the same way the abandonment of the official, Marxist-Leninist dogma on 7 December, and still less (under strong pressure from the countries providing assistance funds, with France leading the way) the calling of a national conference charged with preparing the outlines of a new and more liberal constitution have not succeeded, up to this point, in calming down the street demonstrations.

Beginning with claims purely related to salaries (delays in the payment of wages), for several weeks the disturbances have taken a clearly more political turn. From now on the demonstrators are demanding nothing, more or less, than the resignation of President Kerekou. They state: "We are even ready to abandon our salary claims, if he leaves office." Therefore, an unbridgeable gap seems to have opened up between the government and a considerable group of people. This gap is due in large part to the pitiful state of the Beninese economy.

The social explosion was ultimately caused by the lax administrative style of the period of revolutionary euphoria of the 1960's. Already in poor condition, the few Beninese companies were nationalized and turned

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over to government officials who, unfortunately, were more militant than competent and who joyfully reversed, for their own benefit, one of the old and favorite slogans of the Beninese revolution: "Serve yourself? No. Serve the people? Yes."

The principal symbol of the rapacity of these officials is the Benin Commercial Bank (BCB), which was forced to sell furnishings and real estate to get back a small part of the 65 billion CFA francs in loans that evaporated from its vaults. During the year 1987-1988 alone this bank was practically ransacked, essentially by certain high officials of the regime, beginning with Amoussa Ramanou, its director general who is now in jail. He benefited from the occult (and interested) protection of Amadou Cisse, a Malian marabout [Islamic leader] who simply installed a private telex machine in his director's office. From there he carried out phenomenal transfers of funds from accounts opened by French, Swiss, Monegasque, Dutch, and German banks. (About 500 million CFA francs were transferred in one day, 6 April 1988, from Account 0318555 to the Central Agency in Paris of the BNP [National Bank of Paris].) As this principal financial institution of Benin "devoured" 43 times its own capital, the accounts of private persons were frozen, a French judicial administrator was appointed, and the BCB was liquidated on 11 July 1989. This was highly prejudicial to the government officials whose salaries the bank had the theoretical obligation to pay.

The leaders of the National Union of Teachers of Higher Education (SNES), the first professional association to have left the very official, single central trade union organization, said: "The government has been pleased to fight against corruption in a showy way among minor government officials, whereas, many responsible leaders continued to grow rich by diversions of government resources and bribery, at times arranging for illicit transfers of funds abroad. They have gone unpunished, and this bad example displayed by the highest authorities has ended up by killing the desire to work of most state employees and has ruined respect for public affairs among the citizens."

Paying Government Officials

Mismanagement, the development of parastatal activity, the expansion of corruption, and the traffic in influence have, therefore, led to economic bankruptcy. Paying government employees has become a real headache for the state. About 50,000 state employees are still waiting for the payment of their salaries for the last quarter of 1988.

Economy Slowing Down

And despite the undeniable efforts to achieve economic recovery, undertaken by the authorities over the last few months, the indices of economic performance are still alarming. Economic activity is still moving very slowly.

The Port Authority of Cotonou, which generates 87 percent of customs revenues, is currently recording a

noticeable decline in its level of activity. The freezing of their bank accounts is now preventing economic interests from paying their taxes and duties, while the propensity to consume of the people has declined, precisely because of the irregular payment of salaries.

Elsewhere the nonpayment of loans extended by the African Development Bank (ADB) and the West African Development Bank (WADB) led to freezing several projects that could have had positive effects on the economy.

How can Kerekou restrict the privileges of his closest associates without spattering himself with mud? How can he desert his associates when he is uncertain of collecting the dividends from such a change in the eyes of an increasingly rebellious people? Facing an audit of accounts in the red and no doubt to counteract the spreading anger, over the last few weeks Mathieu Kerekou has alternated, step by step, between the carrot and the stick. He has tried to reassure his own supporters while promising reforms to those who are discontented. Consultations between the government and the opposition are set for February, as well as a new constitution and a prime minister.

First, Democracy

Although up to now political "tightrope walking" has been successful, since December, however, it has been an indication of how difficult it is to narrow the base on which he has sat for 17 years without risking having it carry away. However, over the next few weeks he will no doubt need more than tactical skill to satisfy the principal claim of his fellow citizens: democracy.

Burkina Faso

* Ouedraogo Interviewed on Human Rights Situation

34000340A London WEST AFRICA in English
22-28 Jan 90 p 94—FOR OFFICIAL USE ONLY

[Interview with Alidou Ouedraogo, Magistrate and President of Burkina's Human Rights Movement by Allison Boyer in Ouagadougou]

[Text] The MBDHP [Le Mouvement Bourkinabe de Droits de l'homme et Des Peuples (Burkina's Human Rights Movement)] has established itself as an independent human rights organisation. Following the alleged attempt to overthrow the Popular Front of Blaise Compaore on September 18, the movement came out strongly against the subsequent summary executions of those implicated. Alidou Ouedraogo, magistrate and MBDHP president spoke to WEST AFRICA about the movement's perspective on the national situation and recent events.

[WEST AFRICA] Delegates of the Executive Committee of the MBDHP were received on January 2 by the Burkinabe authorities to make inquiries following the

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events of December 25. Do you have an exact number of those arrested and are you convinced that no one has been executed and that a fair trial will be held?

[Ouedraogo] We were received by the minister of justice who was mandated by the president to receive us but we cannot give you today an exact number of those questioned or arrested. We have, however, some indication, because ... we have brought up a number of questions regarding the situation of those interrogated, the condition of detention and equally a certain number of considerations which will enable us to continue our work. As far as the issue of executions...when such a serious event occurs there are always rumours of this and that, but following our meeting with the authorities the MBDHP felt reassured that no one had been killed, that there had been no executions and we believe that if there had been executions we would have been told so. As far as the second point concerning...the manner in which the trial will be held, we are entirely satisfied in that... at our first meeting, immediately after the authorities had begun to question those who were implicated in the coup plot and we were told that there will be a trial for which information has been available and he assured us that, in the course of the trial, international legal norms would be respected. For us, that means that there will be room for defence.... We feel that we have been heard and this is a source of satisfaction.

[WEST AFRICA] Will the MBDHP make a declaration on the national situation following the events of December 25 and if so what will be the key points?

[Ouedraogo] In such a situation, ...there are many rumours, many things that are said. But what interests us above all is Burkina Faso's internal situation—because if we succeed in resolving the problems of our people we will contribute to the resolution of problems of other people. What should be stressed is that it is necessary at all times that freedom be guaranteed, no matter what the situation. In our capacity we give an account, be it a report or declaration, which we make available to sister organisations, international organisations and above all, to our people. This is the best way, ultimately, to respond, the best way to be credible.

[WEST AFRICA] There are always those on the outside as well as in Burkina who say that these revelations of coup plots and failed coup attempts organised by subversive elements from the outside are, in effect, mise en scènes to facilitate the arrests of unwanted members of the government here.

[Ouedraogo] We feel that as we live in Burkina, what is said outside of the country is not always what actually exists in our country. You know that those who live outside don't always have the facts regarding the internal situation. It does happen that sons of this country express opinions about what happens inside the country but what you have heard regarding the situation in Burkina is not exact because those concerned are those who themselves put Burkina in a lawless state in 1984-5.

I can swear to you too that Boukary Kabore is not a democrat. At the time my syndicate had to hold an inquest in Koudougou on some of his practices. When one can shoot someone suspected of robbery, [this person] cannot speak of human rights, and Boukary Kabore is such a man...this is my personal point of view and one which I advance: he [Boukary] does not have lessons on democracy to offer Burkina Faso.

I think that the process of political maturity at the level of our state permits democratic debate. Contrary to what one might think from a position outside of the country, in Burkina Faso...the Movement Burkinabe de droits de l'homme du Peuple exists, socio-professional organisations exist. There are some problems but it is not the [chaos] that is often described by elements inside and outside the country. What saddens me is that one can speak of a mise en scène to arrest or execute people... Our movement can contribute to the growth and reinforcement of guarantees...in the manner of judgment of those who are arrested or questioned...such that those who were questioned, who have nothing to do with what they are accused of, are freed, and those who are questioned who are involved may be judged according to international standards and [according] to the reality of our people. I would not like to predict the legal outcome, our movement is there to follow the legality of the trial, the regulation of certain situations. We have given information to the families [of those held] when we were contacted, and we will contact the authorities to determine that there are no harsh methods being used.

We believe in freedom and human rights and with your permission, I would like to deny certain persons the right to speak of human rights in Burkina. Because many of our militants have been in prison, were arrested, often at 3 o'clock in the morning in our houses without regard for our families, without taking into account a certain number of circumstances [by those people] who put under lock and key judicial independent authority in this country. That is why I say that there is a bit of exaggeration in what they say from the outside with regards to what is happening in Burkina Faso. But I say that under Captain Sankara, notably during 1985 and 1987, [the situation] was very serious for our people. I think that Burkina Faso is better off now in relation to the internal situation before 1987.

[WEST AFRICA] What prospects do you see for Burkina Faso in terms of attaining a higher degree of political stability?

[Ouedraogo] Having listened to the January 31 message of the president, of Captain Blaise Compoare, I learned that from the first congress of the Popular Front which will be held March 2, that all political institutions in Burkina will be legalised. I think that this is a good prospect and one we must insist on. That is to say, in the ordre d'appel launched by our movement, we have already spoken of the need to work in our country for the emergence of a state of law and, on the occasion of the

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unfortunate events of September 18, we advocated this solution to avoid future coups d'etat.

Hope rests on the emergence and consolidation of a genuine state of law in our country. This is the solution for Burkina Faso and dare I say, for all of Africa.

Nigeria

* Cabinet Changes Raise Ethnic, Religious Issues

34000340B London WEST AFRICA in English
22-28 Jan 90 p 87—FOR OFFICIAL USE ONLY

[Article by Lindsay Barrett: "No Islam or Christianity"]

[Text] President Babangida's recent cabinet reshuffle has set off unprecedented reverberations across Nigeria. One of the most vocal responses to the changes came from the former defence minister, Gen Domkat Bali, who described the President's style as "dictatorial." Other critics have questioned the nature of the military postings at the top, and the viability of the executive structure in the new dispensation.

The swearing-in ceremony of the new cabinet and members of the Armed Forces Ruling Council (AFRC) a few days after the changes were announced may have provided a pointer to the new 'format' of the government. The three new Presidential Advisors (Air Marshal Alfa, Vice-Admiral Koshoni and Alhaji Muhammadu Gambo) took an oath pledging to be totally loyal to the Office of the President. The President himself was relaxed throughout the long ceremony, even though he had to stand while administering the oaths. The informality of the ceremony was underscored by an interesting incident when Prince Tony Momoh was being sworn in to his new post as minister of information. He refused to handle either the Bible or Koran and President Babangida had to intervene in the minister's favour when the protocol office insisted. At the same time, the President found himself reminding Prince Momoh: "Raise your right hand."

The mood changed, however, when the press began to ask probing questions after the ceremony. For instance, it was pointed out that the former Chiefs of Naval and Air Staff were still serving in their respective services and this had created an unprecedented situation in which they might be expected to take orders from their subordinates—a situation which had never arisen before in cabinet changes.

The seeming demotion of Gen Bali would be even harder to explain. He was never known to have been disloyal to the government. This has prompted suggestions that in redeploying the former defence minister to the internal affairs ministry, the President may have felt that Gen Bali would be providing active support in an executive capacity in the crucial stages of the transition to civilian rule. Thus, it is thought that there may have been a

breakdown in communication, with Gen Bali presumably declining his new portfolio while uncertain whether he still enjoyed the confidence of the Presidency.

Another issue raised by the cabinet changes is religion. The fact that in several of the new deployments Muslims took over from Christians has been seized upon by groups known to be always ready to guard their religious interests at all cost. Gen Bali's uncharacteristic outburst to the press seemed to have provided for such groups the peg on which to hang their crusade. So there were peaceful demonstrations in Kaduna, Jos, Bauchi and Yola. That the Christian-led protests did not degenerate into widespread public disorder was a tribute to the restraint of the security forces, who may have been acting under instructions.

Many think that President Babangida may have closely monitored early reactions to the cabinet changes. He moved swiftly to fill the gap left by Gen Bali by swearing in naval officer, Commodore Gwom, as internal affairs minister, using the opportunity of the ceremony to elaborate on the background to the reshuffle. The President said that the criteria for the changes were state representation, professional merit and seniority in the armed services. Declared Gen Babangida: "There is no Islam, no Christianity [in the political and professional appointments], there is only Nigeria's interest."

It might, however, be expecting too much to think that the sectional and institutional interests which have become integral aspects of Nigeria's social fabric will ever be ignored by the populace when major governmental changes are made, especially when the changes directly affect the welfare of the people.

It is perhaps in realisation of this that President Babangida did not hesitate to rationalise his reshuffle the intention of which, it is widely believed, is to assert the primacy of the Presidency over the armed forces in political affairs.

The reverberations of the reshuffle have been most intriguing in those services where major professional deployments have followed the realignment of the top echelon. A case in point is the police force. The army deployments have been more complex. The general indication is that a move is on to rededicate the armed forces to purely military operations over the next two years leading to the transition to civilian rule.

* Report Exposes Worldwide Oil-Fraud Operations

34000369B London AFRICAN BUSINESS in English
Jan 90 pp 39-40—FOR OFFICIAL USE ONLY

[Article by Garry Smith: "Report Exposes Nigerian Oil-Fraud Operations"]

[Text] "Small and medium-sized companies have been defrauded of substantial sums of money by individuals who purport to sell Nigerian crude oil," claims a special

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report released in December by the International Maritime Bureau, a division of the International Chamber of Commerce.

The report, which details the findings of a special investigation into the constant flow of attempted Nigerian oil frauds, estimates that most victims lose about \$250,000 each and warns that the phenomenon persists.

The solution to the frauds, which are well prepared and well presented, lies with the would-be buyers of oil, the IMB concludes.

Examples of successful and attempted frauds are given in the report and reveal a succession of professional and convincing telexes that typically commence with an offer for the sale of approximately 1m barrels of Nigerian Bonny Light on board a vessel which has just left Nigeria, valued at more than \$20m.

The price at which the oil is offered for sale is generally a few cents below the going market rate and is cheap enough to awaken the would-be buyer's interest without being low enough to make him suspicious. When the frauds first began to appear, prices used to be generally a few dollars below the going rate, but it seems the fraudsters decided that this much of a discount made too many companies suspicious of the deal.

Potential purchasers are then lulled into a false sense of security by a succession of convincing documents and telexes. Basic precautions, such as checking that the vessel carrying the oil exists and that it did call at the Nigerian port on the stated day, will reveal nothing wrong, as the fraudsters use the name of a genuine ship which has indeed recently lifted oil from Nigeria.

However, the oil on board the vessel belongs to another company, which is unaware that the cargo is being offered for sale by other parties.

Thus, even if a would-be purchaser is aware of the dangers of standard documentary fraud, in which false documents are used to persuade the buyer or his bank that non-existent cargoes have been sent and should be paid for, he may not notice anything amiss in his proposed Nigerian oil transaction.

This is because the fraudsters are in fact attempting an "advance fee fraud", in which the aim is to obtain an advance fee, usually about \$250,000, and then disappear. Only on a few rare occasions has the IMB encountered attempts by the fraudsters to obtain the full value of the cargo.

Advance Payment

Thus, soon after a would-be purchaser has entered negotiations for a cargo of Nigerian crude worth millions of dollars, he will be asked to make an advance cash payment of about \$250,000 to cover "port expenses" or "administration costs".

Officers at the IMB note that although this amount represents a large sum of money to the firms or individuals hoping to buy the oil, they tend to look on it as a comparatively small proportion of the total sum involved and are therefore prepared to pay on the understanding that it will be deducted from the final price of oil.

Sometimes the people behind the frauds make mistakes. One company asked the IMB to make preliminary checks when it was offered 921,575 barrels of Nigerian Bony Light, reportedly on board a vessel recently departed from Nigeria.

The IMB discovered that the ship in question was in fact en route from Dos Bocas to Fos on the day it was supposed to depart from Nigeria. In addition, the ship was not actually large enough to carry 921,575 barrels of oil.

Worldwide Operations

IMB Director Eric Ellen is highly concerned at the large number of attempted frauds which are still being reported to his office. He reveals that although the UK and Europe were the original targets of the fraudsters, "they have now widened their operations to take in North America, and there have been some reports from the Middle East and Japan."

He adds that the onus is on the buyer to prevent the frauds, as it is "his imprudence which permits these frauds to succeed and flourish". The report details preventive measures that should help identify attempted frauds.

Ellen adds that shipowners, oil traders, banks, the Nigerian National Petroleum Corporation (NNPC) and underwriters also have important roles to play in halting the phenomenon.

The report, Nigerian Oil Frauds, is available from the International Maritime Bureau, Maritime House, 1 Linton Road, Barking, Essex IG11 8HG, UK, telephone 01-591 3000, fax 01-594-2833. The price is 9.50 pounds sterling.

* Oil Industry To Lead Way for Diversification

34000340C London WEST AFRICA in English
22-28 Jan 90 pp 104-105—**FOR OFFICIAL USE ONLY**

[Article by Lindsay Barrett: "Oil Industry Reaches Out"]

[Text] It is generally agreed that Nigeria's over-dependence on revenue from oil in the two and a half decades has not been a good thing for the growth of the country's economy. Nevertheless, it has become clear in recent months that it is the oil industry that must take the lead in encouraging and supporting the very diversity which will break the monotonous tyranny of its superiority.

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In this light, the long-awaited decentralisation of the operations of the Nigerian National Petroleum Corporation (NNPC) is a welcome and appropriate development. This fact that it has actually begun to take off is one of the positive achievements of the Babangida regime.

Diversification of the oil industry in Nigeria has a great chance of success precisely because the NNPC grew gradually over the years as a complete service industry. Its operations today stretch from exploration and exploitation, through research and distribution, to marketing. In recent times too the expansion of its services to take in development of the vast gas deposits in the country has emerged as one of its most effective achievements.

The conversion of the NNPC into a series of increasingly autonomous commercial companies is now a reality. A dozen major companies have been spun off from the conglomerate, ranging from joint-venture exploration and mining companies, through refinery services making each of the country's three giant refineries an independent operation, and including such specialist services as one of the most sophisticated data-gathering and processing centres in the world.

This latter company, Integrated Data Services Limited (IDSL), which has its administrative and operational headquarter in Benin City, was launched as a division of the conglomerate in 1986 by a former petroleum minister, Professor Tam David-West. Dr Rilwanu Lukman authorised its conversion into a semi-independent operation its achievements have been nothing short of remarkable. One of its major contracts so far has been undertaken in Ghana, and can serve as a model for inter-African cooperation at the highest levels of technological and industrial interaction.

IDSL was contracted by the Ghana National Petroleum Corporation (GNPC) earlier this year to carry out a \$2.5m seismic survey in the onshore Tano Basin at Half Assini in the Western Region. This area attracted interest in oil exploration as far back as the late 19th century when some international companies sunk rudimentary wells there. However, the present agreement between the Nigerian organisation and the Ghanaian group is preliminary to much more sophisticated drilling activities billed to be carried out, quite possibly by joint efforts of the Nigerian and Ghanaian oil operatives. Nigeria's oil technology is highly developed and largely controlled by the indigenous corporations which have been developed from the various divisions of the NNPC and the country can provide finance as well as expertise

for the development of the oil potential of sister African countries as a part of its ongoing policy of inter-African economic cooperation.

The expansion of the gas-based activities of the oil industry in Nigeria is an even greater indication of the determination of the present controllers of the sector, led by Minister Lukman, to change the profile and the direction of the premier national industry towards making it not only increasingly profitable but also to cushion the effects of the continuous fluctuation of prices and ratio of crude oil production in the world market. The development of this important resource has been pledged by every single government since oil was discovered in and began to be exported from Nigeria. However, the recently reshuffled Dr Lukman's strategy diversification and devolution of the oil industry is the first clearly articulated strategy for using the incentive of greater freedom of operation of the oil exploration opportunities available in the country to encourage investment in gas utilisation.

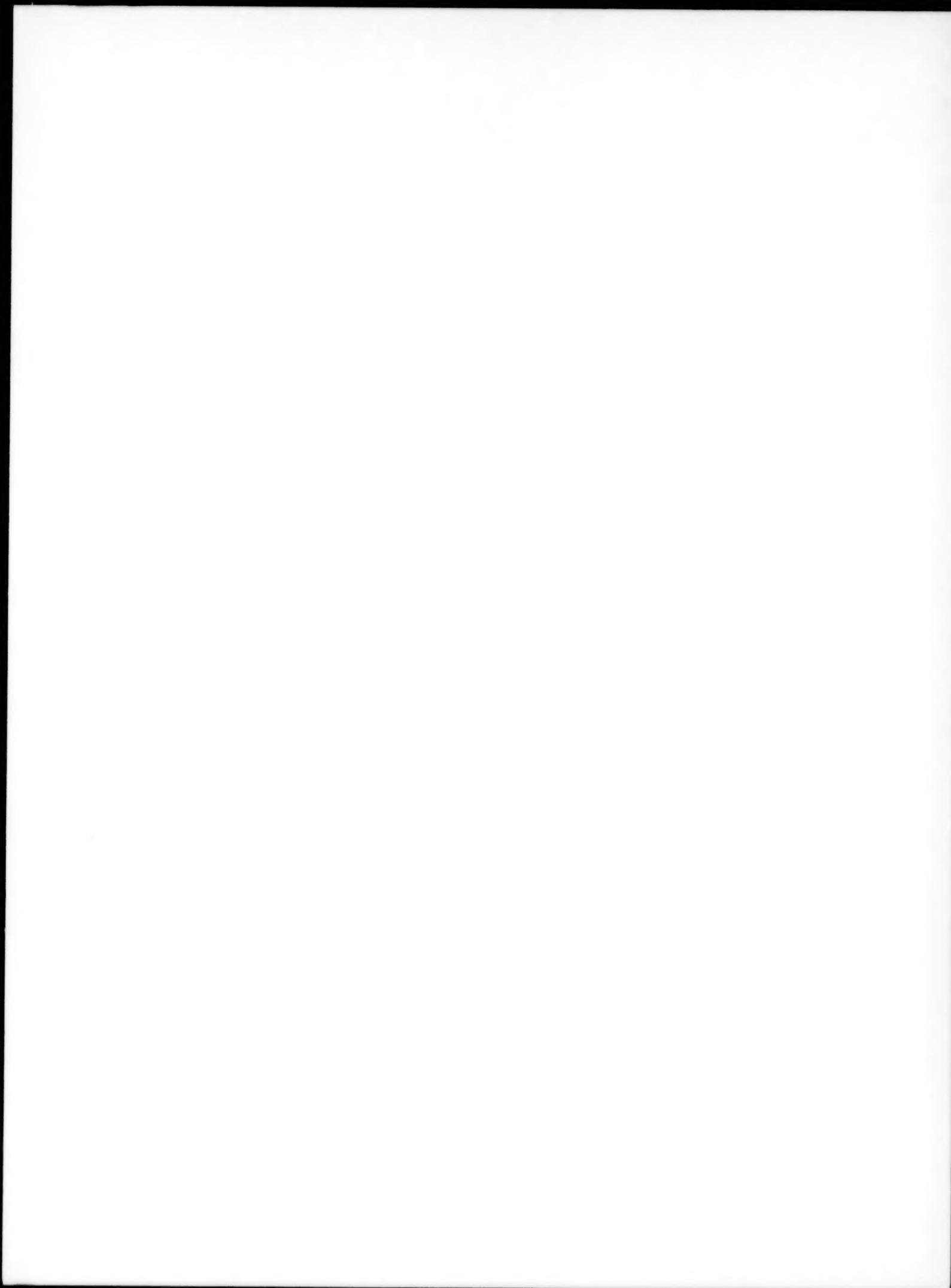
In mid-July of 1989 Dr Lukman took the unusual step of publishing a special statement, personally signed by them, in which he outlined the new financial and investment policy that was the motivating factor behind the re-organisation of the NNPC. In this statement he revealed the strategy for ensuring investor participation in the expansion of the gas utilisation projects. He pointed out that sales of shares in the NNPC/Shell joint venture in which three major companies were asked to participate were allocated according to the proportion of their interest in Nigeria's billion-dollar LNG project. Apart from being an innovative tactic this strategy is designed to ensure a future market beyond Nigeria's shores for the abundant LNG [liquefied natural gas] which its gigantic reserves will produce. The participating companies are all vital marketers of petroleum products in the industrialised world, and depend heavily on Nigeria's oil production for a large share of their annual turnover and profits.

It is difficult to ascertain the extent of official decision-making, and international advisory planning which has led to the present nature of the oil industry's changing role in Nigeria. What is quite clear though is that the expertise built up in a period when the NNPC exercised unprecedented centralised control in indigenous management had given Nigeria's own oil experts greater confidence to restructure the petroleum sector. The eventual result, they hope is that in the near future Nigeria's oil-based industries will manage not only to reserves within their shores but will also become a major player in the industry on a worldwide basis.

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